

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES  
OF WILD FAUNA AND FLORA

---



Eighteenth meeting of the Conference of the Parties  
Geneva (Switzerland), 17-28 August 2019

TRANSNATIONAL ORGANIZED CRIME IN SOUTHEAST ASIA:  
EVOLUTION, GROWTH AND IMPACT (2019)

1. This document has been submitted by the Secretariat in relation to agenda item 32 on *Enforcement matters* and agenda item 33 on *Combating Wildlife Cybercrime*.
2. The report from the United Nations Office on Drugs and Crime (UNODC) is available under 'Tools and Resources' on the Enforcement page of the CITES website,<sup>1</sup> as well as online on the following link:

[https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA_TOCTA_2019_web.pdf)

---

<sup>1</sup> <https://cites.org/eng/prog/imp/enf/introduction>



**UNODC**

United Nations Office on Drugs and Crime

# Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact

2019

Copyright © 2019, United Nations Office on Drugs and Crime (UNODC).

This publication may be reproduced in whole or in part and in any form for educational or non-profit purposes without special permission from the copyright holder, provided acknowledgement of the source is made. UNODC would appreciate receiving a copy of any publication that uses this publication as a source.

## Acknowledgements

UNODC thanks the Governments of Southeast Asia - Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam – and neighbouring countries – Australia, China, Japan, New Zealand, Republic of Korea – and the United States for their support throughout the development of this report. Preparation of this report would not have been possible without data, information and intelligence shared by these Governments.

UNODC gratefully acknowledges the financial contribution of the Government of Australia and the Government of the United States to enable this research.

This study was conducted by the UNODC Regional Office for Southeast Asia and the Pacific (ROSEAP) with the support of numerous experts in the UNODC Research and Trend Analysis Branch (RAB).

### Supervision

Jeremy Douglas, Regional Representative, Southeast Asia and the Pacific

Angela Me, Chief, RAB

### Core team

Inshik Sim (coordination, analysis and drafting)

Shawn Kelley (analysis and drafting)

Magali Lapouge (research and data)

Akara Umapornsakula (graphic design)

This report also benefited from the valuable input of many UNODC staff members and external experts and organisations who reviewed or contributed to various sections of the report, including Giovanni Broussard, James Hewitt, Raggie Johansen, Kristiina Kangaspunta, Anja Korenblik, Theodore Leggett, Rebecca Miller, Martin Raithelhuber, Fabrizio Sarrica, Tun Nay Soe, Justice Tettey, Lorenzo Vita, Julie Viollaz, Ryan Winch, Irmgard Zeiler and the Pharmaceutical Security Institute.

## Disclaimer

This report has not been formally edited.

The contents of this publication do not necessarily reflect the views or policies of UNODC, Member States, or contributory organizations, and neither do they imply any endorsement.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of UNODC or the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

## Explanatory note

Reference to dollars (\$) are to United States dollars, unless otherwise stated.

Reference to tons are to metric tons, unless otherwise stated.

UNITED NATIONS OFFICE ON DRUGS AND CRIME

Southeast Asia and the Pacific

# **Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact**





## Foreword

While transnational organized crime affects every country in the world, the nature of illicit markets and their impact differs region to region. Southeast Asia is no exception, and while it is prosperous in-part due to expanding social exchanges, trade and investment in infrastructure, the region is also challenged by increasingly aggressive organized crime networks and syndicates.

Like any business, transnational criminal enterprises seek out conditions that are good for the bottom line, and in Southeast Asia conditions have been favourable. The fact is that while law enforcement and border management in the region are robust in some jurisdictions, they are effectively not functioning in others, and limited cross-border cooperation and corruption are serious problems – key enabling factors for transnational organized crime are unfortunately in-place.

The situation is most vividly illustrated by the growth in methamphetamine production and trafficking, which have reached unprecedented and dangerous levels in the past few years. Profits have grown massively as organized crime groups have synthesized the drug market, consolidated production and innovated their business model. Heroin trafficking remains a problem, and other forms of transnational organized crime are also growing or appear to be growing, including the trade in counterfeit goods and medicines, trafficking and smuggling of people, and the trafficking of wildlife and timber. At the same time, the region's rapidly expanding network of casinos, many of which are lightly or not at all regulated, has emerged as a perfect partner or offshoot industry for organized crime groups that need to launder large volumes of illicit money.

However, the phenomenon of organized crime in Southeast Asia is only partially understood because data remain limited. And while gathering and sharing information on clandestine criminal activity is a global challenge, it is particularly acute in the region. Importantly, this report addresses some of the gaps in the understanding of transnational organized crime in Southeast Asia, and discusses the situation in a matter of fact way.

To compile this report, UNODC worked closely with countries of the ASEAN region and neighbouring regions to collect and collate large amounts of information and intelligence on transnational crime flows. Ultimately it could not have been developed without tapping into existing mechanisms for regional dialogue, information exchange and cooperation, including multilateral forums like the ASEAN Senior Officials Meeting on Transnational Crime / SOMTC and Ministerial Meeting on Transnational Crime / AMMTC, the ASEAN Senior Officials on Drug Matters / ASOD and Ministerial Meeting on Drug Matters / AMMDM, the Mekong MOU on Drug Control, the UNODC border liaison office network, and different information and intelligence development and assistance programmes.

We hope that by identifying and candidly presenting challenges, and recommending some priority responses, this report will contribute to a healthy policy debate and help states and the region to prioritize where to go from here. Transnational organized crime is an increasingly destabilizing influence in Southeast Asia and a direct challenge to the 2030 Agenda and Sustainable Development Goals embraced by the region, and it is time for a rethink of the strategy to address it.



Jeremy Douglas  
Regional Representative  
Southeast Asia and the Pacific



Table of Contents

Foreword..... i

Abbreviations & Acronyms ....v

Executive Summary.....1

Development and Methodology ..... 11

Introduction ..... 15

Methamphetamine and Related Precursor Chemicals..... 25

Heroin and Related Precursor Chemicals .....47

Trafficking in Persons..... 65

Smuggling of Migrants..... 87

Wildlife ..... 109

Timber ..... 125

Counterfeit Goods and Illicit Tobacco ..... 139

Falsified Medicines ..... 159

Conclusions and Responding ..... 177



## Abbreviations and acronyms

AA	Acetic Anhydride
ACFTA	ASEAN – China Free Trade Agreement
ACIC	Australian Criminal Intelligence Commission
ADB	Asian Development Bank
ADEC	Asia-Pacific Operational Drug Enforcement Conference
ADLOMICO	Anti-Drug Liaison Officials’ Meeting for International Cooperation
AIHW	Australian Institute of Health and Welfare
AIIB	Asian Infrastructure and Investment Bank
AIPA	ASEAN Inter-Parliamentary Assembly
AIPACODD	AIPA Advisory Council on Dangerous Drugs
AFP	Australian Federal Police
AMMTC	ASEAN Ministerial Meeting on Transnational Crime
APG	Asia/Pacific Group on Money Laundering
ARIN-AP	Asset Recovery Interagency Network–Asia Pacific
ASEAN	Association of Southeast East Asian Nations
ARQ	Annual report questionnaire
ATS	Amphetamine-type stimulants
BLO	Border Liaison Office
BNN	National Narcotics Board (Indonesia)
CBSA	Canada Border Services Agency
CCDAC	Central Committee for Drug Abuse Control (Myanmar)
CIS	Counterfeit Incident System
CoP	Conference of the Parties
CITES	The Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
CNB	Central Narcotics Bureau (Singapore)
CPIB	Corrupt Practices Investigation Bureau (Singapore)
CTR	Currency Transaction Report
DAINAP	Drug Abuse Information Network for Asia and the Pacific
DDB	Dangerous Drugs Board (Philippines)
DEA	Drug Enforcement Administration (United States)
EEZ	Exclusive Economic Zone
EGILAT	APEC Expert Group on Illegal Logging and Associated Trade
EIA	Environmental Investigation Agency
ETIS	The Elephant Trade Information System
EU	The European Union
EUIPO	European Union Intellectual Property Office
EWA	UNODC Early Warning Advisory on New Psychoactive Substances
FAO	The Food and Agriculture Organization of the United Nations
FIU	Financial Intelligence Unit
FLEGT	Forest Law Enforcement, Governance and Trade
FTZ	Free Trade Zone
HONLAP	Heads of National Drug Law Enforcement Agencies, Asia and the Pacific
IDS	Individual Drug Seizures
INCB	International Narcotics Control Board
INL	Bureau of International Narcotics and Law Enforcement Affairs (United States)
ITTO	International Tropical Timber Organization

IUCN	International Union for Conservation of Nature
IUFRO	The International Union of Forest Research Organizations
IUU	Illegal, Unregulated and Unreported Fishing
KCS	Korean Customs Service
KPK	Indonesia's Corruption Eradication Commission (Komisi Pemberantasan Korupsi)
Lao PDR	Lao People's Democratic Republic
LCDC	Lao National Commission for Drug Control and Supervision
MHLW	Ministry of Health, Labour and Welfare (Japan)
NACD	National Authority for Combating Drugs (Cambodia)
NADA	National Anti-Drugs Agency (Malaysia)
NDSHS	National Drug Strategy Household Survey (Australia)
NNCC	National Narcotics Control Commission (China)
NPA	National Police Agency (Japan)
NPS	New Psychoactive Substances
OECD	The Organisation for Economic Co-operation and Development
OHIM	Office for Harmonization of the Internal Market (European Union)
OMCG	Outlaw Motorcycle Gang
ONCB	Office of the Narcotics Control Board (Thailand)
P-2-P	1-phenyl-2-propanone or phenylacetone
PERHILITAN	Department of Wildlife and National Parks Peninsular Malaysia ( <i>Jabatan Perlindungan Hidupan Liar dan Taman Negara Semenanjung Malaysia</i> )
PDEA	Philippine Drug Enforcement Agency
PSI	Pharmaceutical Security Institute
PWID	People Who Inject Drugs
RCMP	Royal Canadian Mounted Police
REDD+	Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RMP	Royal Malaysia Police
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SMART	Synthetics Monitoring: Analyses, Reporting and Trends
SMCC	Safe Mekong Coordination Center
SODC	Standing Office on Drugs and Crime (Viet Nam)
SOMTC	ASEAN Senior Officials Meeting on Transnational Crime
SPO	Supreme Prosecutors' Office (Republic of Korea)
STR	Suspicious Transaction Report
UNODC	United Nations Office on Drugs and Crime
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development
VPA	Voluntary Partnership Agreement
WCO-RILO AP	World Customs Organization – Regional Intelligence Liaison Office Asia Pacific Office
WHO	World Health Organization
WPSI	Wildlife Protection Society of India
WWF	World Wildlife Fund



## **Executive Summary**







## Executive Summary

Threats arising from transnational organized crime in Southeast Asia are becoming more deeply integrated within the region itself, as well as with neighbouring and connected regions. At the same time, criminal networks operating in Southeast Asia have achieved global reach, trafficking unfathomable quantities of high-profit methamphetamine, massive consignments of wildlife and forest products, and an increasing range of counterfeit consumer and industrial goods. They also continue to engage in the smuggling of migrants and trafficking in persons for the purposes of sexual and labour exploitation.

As transnational organized crime in Southeast Asia has become more complex, gaps in knowledge have correspondingly grown. This assessment draws together data and information provided by countries of the Association of Southeast Asian Nations (ASEAN) and neighbouring countries and regions, other official sources and specialized academic studies, supplemented by interviews with law enforcement officials, criminal intelligence analysts, and development practitioners, to arrive at a comprehensive understanding of the scale and mechanics of major illicit trade flows: the how, where, when, who, and why. The intention is to provide the best possible reference for selected criminal markets in the region, as a basis for developing evidence-based strategic and programmatic responses.

Specific focus is provided within the report for the four most active transnational organized crime

markets in the Southeast Asia region:

- Drugs and precursor chemicals (methamphetamine and heroin with reference to emerging drug challenges)
- Trafficking in persons & smuggling of migrants
- Environmental crimes (wildlife and timber trafficking)
- Counterfeit goods and falsified medicines

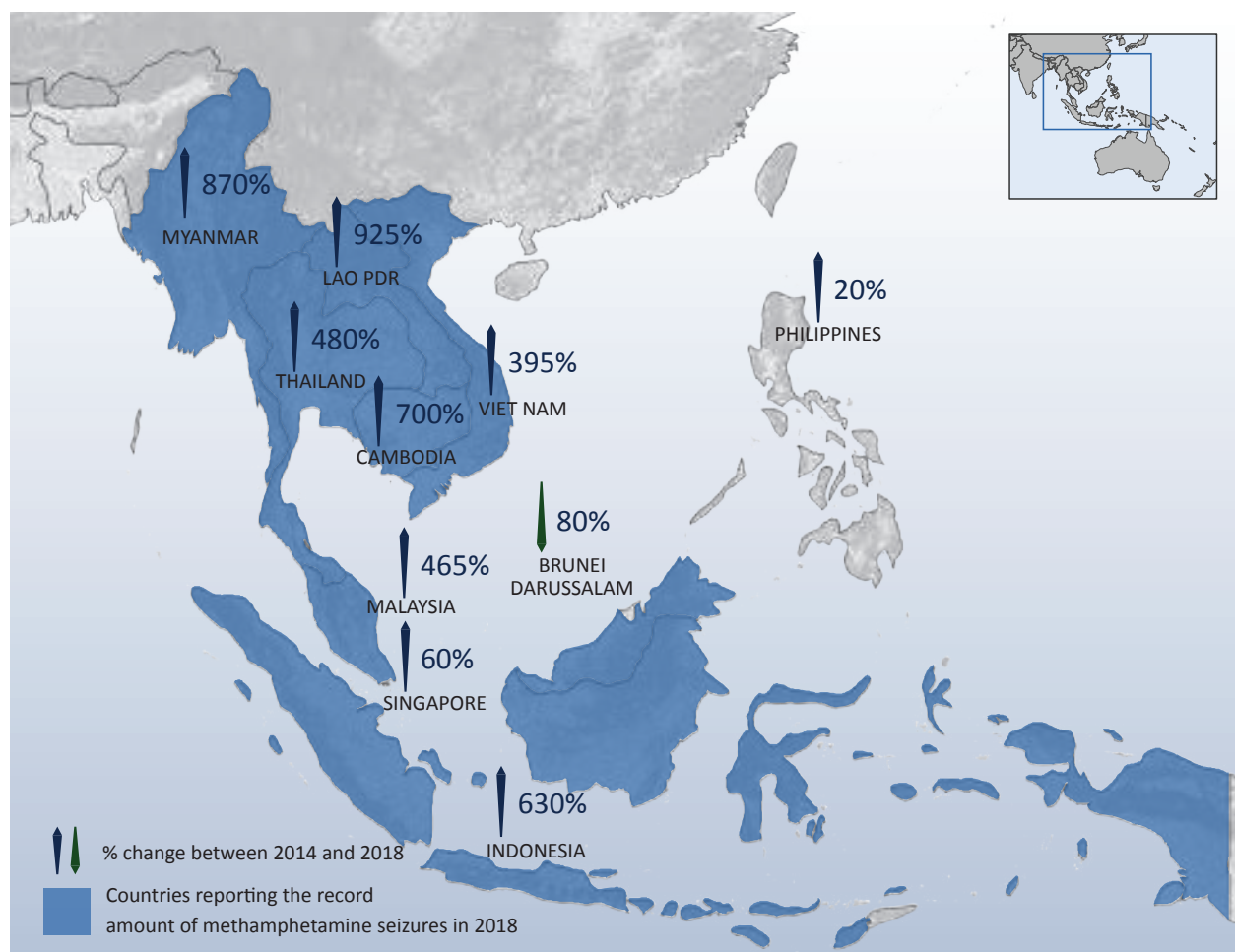
### Drugs and precursor chemicals

**Displacement of organized crime has led to a massive expansion of methamphetamine production and trafficking**

#### Methamphetamine

The illicit drug market in Southeast Asia is undergoing a profound transformation associated with a steep increase in the manufacture of synthetic drugs especially methamphetamine, particularly in northern Myanmar. A significant contributing factor appears to be heavy law enforcement suppression efforts in neighbouring China that displaced drug syndicates, forcing them to migrate production out of the country, and illustrating the flexibility of organized crime groups to quickly respond to changes in environment.

Transnational organized crime groups operating in Myanmar in partnership with militias and ethnic armed groups are manufacturing and trafficking both crystalline and tablet methamphetamine

**Map 1: Changes in methamphetamine seizures in Southeast Asia, 2014-2018**

Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Figures are rounded.

Sources: UNODC, responses to annual report questionnaire, 2017 and previous years for Southeast Asian countries; Drug Abuse Information Network for Asia and the Pacific (DAINAP).

for East and Southeast Asia and Oceania, and increasingly South Asia. Seizures of both forms of the drug are being made in quantities unimaginable a decade ago, with at least 120 tons seized in the region in 2018.

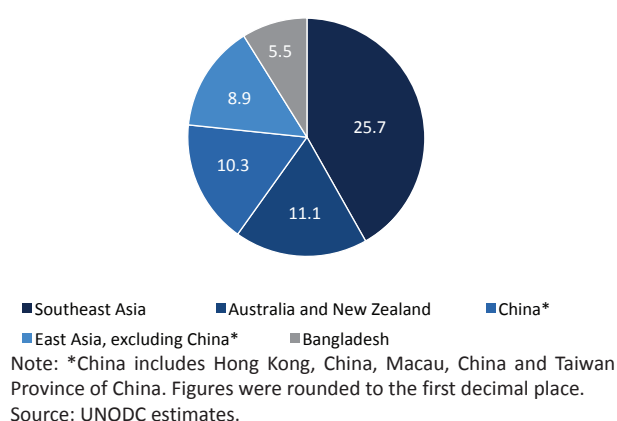
Coinciding with the surge in the production of methamphetamine in Myanmar over recent years, the borders of Myanmar-Thailand and Thailand-Malaysia have become important for regional and inter-regional trafficking. In 2018, Thailand alone seized more than the half of the confirmed East and Southeast Asia total, while at the same time the wholesale and street prices of methamphetamine in Thailand and neighbouring countries reached the lowest levels of the last decade. The expanding flow of crystalline methamphetamine from the northern part of Myanmar into Thailand and then to Malaysia has also had the effect of shifting trafficking patterns within the region, heightening

the importance of Southeast Asia as an origin and transit region for neighbouring countries, including Australia, Japan, New Zealand and the Republic of Korea.

Starting in 2019, in response to enforcement measures along the northern border between Myanmar and Thailand, organized crime groups again shifted trafficking routes and began trafficking increasing quantities of methamphetamine eastward through Lao PDR to Thailand, Cambodia and Viet Nam, as well as to southern Myanmar for shipment via the Andaman Sea and into central and southern Thailand. Several large-scale methamphetamine trafficking cases along the borders of Thailand, Cambodia, Lao PDR, Myanmar and Viet Nam reported in the first few months of 2019 have illustrated this shift.

The illicit methamphetamine market of Southeast Asia and neighbouring East Asia, Australia, New Zealand and Bangladesh are inter-connected and now estimated to be worth between US\$ 30.3 and US\$ 61.4 billion annually. Despite having relatively modest population sizes, Australia, Japan, New Zealand and the Republic of Korea account for about one-third of the high-end estimated total value of the methamphetamine market as a result of disproportionately high wholesale and retail prices for methamphetamine.

**Figure 1: Estimated retail methamphetamine market values in East and Southeast Asia, Australia, New Zealand and Bangladesh, billion US\$ (high-end estimate)**



## Heroin

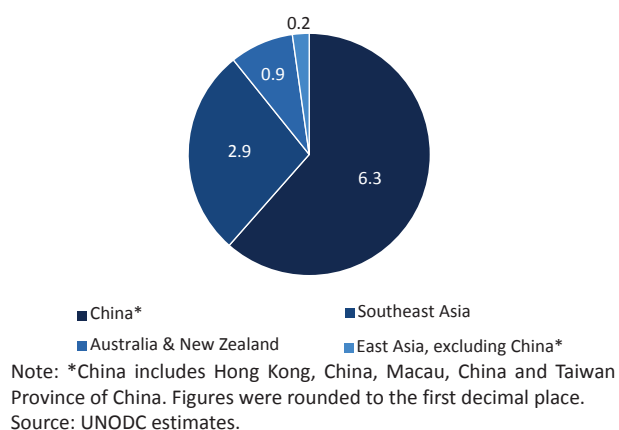
As the methamphetamine market continues to expand, several indicators point to decreased demand for heroin in Southeast Asia and neighbouring countries over recent years. However, the illicit manufacture, trafficking and use of heroin remains a significant public security and health problem in the Mekong region, in particular, as well as in Malaysia. Heroin continues to be reported as the second most frequently trafficked drug in Southeast Asia, and seizures of heroin in Myanmar, Thailand and Viet Nam increased in 2018.

Earlier in the decade, approximately one third of the heroin found in East Asia and the Pacific was imported from Afghanistan, while today these regions are almost exclusively supplied by heroin produced in Shan and Kachin of northern Myanmar. The most important heroin trafficking routes of Southeast Asia originate in the production areas in these parts of northern Myanmar, and connect

across the border to China or indirectly to China through northern Lao PDR and Viet Nam. Viet Nam is also a primary destination for heroin trafficking in Southeast Asia, accounting for approximately 36 per cent of all heroin seized in the region from 2013 through 2018. At the same time Malaysia reports that increasing quantities of heroin are being trafficked to and transiting through the country to destinations outside of East and Southeast Asia, in particular to Australia, where recent forensic analysis and profiling of heroin seized at the border indicates the predominance of Southeast Asian heroin in its domestic market.

UNODC estimates the total value of the regional heroin market ranges from US\$ 8.7 to US\$ 10.3 billion annually.

**Figure 2: Estimated retail heroin market values in East and Southeast Asia, Australia and New Zealand, billion US\$ (high-end estimate)**

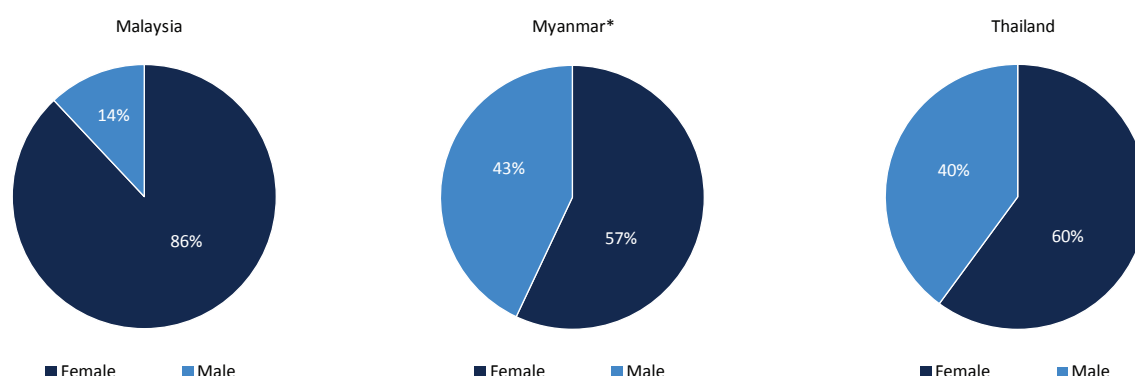


## Trafficking in persons and smuggling of migrants

**Organized crime groups trafficking and smuggling people are exploiting differences in economic development and demand for cheap labour**

### Trafficking in persons

The majority of human trafficking victims in Southeast Asia and neighbouring East Asia are being trafficked from less developed countries in the region including Cambodia, Lao PDR, Myanmar, the Philippines, and Viet Nam, to more developed countries including China, Malaysia and Thailand, as well as to destinations outside the region.

**Figure 3: Proportion of women trafficking victims in Malaysia, Myanmar and Thailand, 2014-2017**

Note: Data for Myanmar cover 2015, 2016 and 2017.

Sources: UNODC, "Global Report on Trafficking in Persons 2018", Vienna, 2018; Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

The trafficking of women and girls for sexual exploitation remains a serious problem in most countries in the region. Human trafficking for sexual exploitation accounted for roughly 79 per cent of the total number of cases in Thailand from 2014 through 2017, primarily involving female victims from the Mekong region, but also from some countries in Africa, the Middle East, and Central Asia, as well as Russia and Sri Lanka. Of the total number of victims trafficked for sexual exploitation, almost 70 per cent were underage girls. Most of the trafficking cases reported in Malaysia in recent years have also been related to sexual exploitation, accounting for roughly 60 to 73 per cent from 2016 through 2018, with the vast majority of victims being women and girls. In Myanmar, the number of women trafficked for the purpose of sexual exploitation more than doubled from 2013 through 2017. In addition, Southeast Asian women trafficked outside the region for sexual exploitation has been a persistent problem, especially in Japan and the Republic of Korea, but also in some countries in Europe and the Middle East.

Most victims of trafficking for labour exploitation in Southeast Asia are forced into work in fisheries, construction, agriculture, manufacturing, hospitality, and domestic help industries. In Malaysia, approximately 34 per cent of all trafficking victims were detected in conditions of forced labour from 2013 through 2017, of which women and girls accounted for 81 per cent. The largest share of trafficking victims in Malaysia during this period were from Indonesia (30 per cent), Viet Nam (25

per cent), the Philippines (10 per cent), Thailand (8 per cent), and the remainder were nationals of Myanmar, Cambodia, Malaysia and India.

### Smuggling of migrants

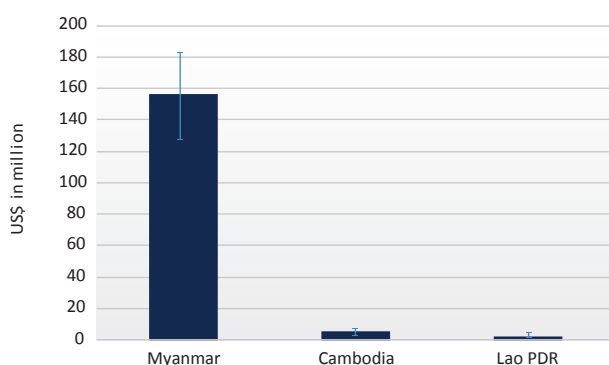
Migrant smuggling is a well-established, widespread and profitable criminal activity for organized crime groups in Southeast Asia. Due to their relative economic prosperity and continual labour shortages, Malaysia and Thailand are two of the principal destinations for smuggled migrants within Asia, especially for migrants from other parts of Southeast Asia and South Asia. Malaysia experiences high levels of labour-related irregular migration, particularly from Indonesia and also from the Philippines, Myanmar and Bangladesh; and a significant portion of these flows appears to involve illicit means. Migrant smuggling routes to Thailand are well established and have not changed significantly over time, with migrants typically smuggled across formal border crossings or along smaller roads and smuggling routes which traverse the border. Around half a million migrants mainly from Myanmar, but also from Cambodia and Lao PDR, are estimated to be smuggled to Thailand each year, generating annual illicit revenues of between US\$ 132 and US\$ 196 million.

The smuggling of Southeast Asian nationals to destinations outside of the region remains a matter of concern. Data indicate that a growing number of Southeast Asian nationals are staying illegally in, and are being deported from, Japan and the Republic of Korea, which could increase the demand for the

services of smugglers. The smuggling of migrants from Southeast Asia is also dispersed across parts of Australia, Europe, North America, the Middle East, and other regions. These flows are distinct from smuggling within Asia in that they mainly involve large transnational smuggling networks, some of which have been linked to established diaspora communities in destination countries. Smuggling to these places and regions is usually carried out by a combination of air and overland travel, and sometimes involves both smuggling and trafficking, particularly for nationals of Viet Nam.

Migrant smuggling networks in Southeast Asia are adept and flexible enough to avoid law enforcement and meet the constant demand for their services. Corruption among government officials and private employers, a lack of accountability, and inadequate criminal justice responses, continue to facilitate migration-related crimes across the region and enable criminal groups to generate substantial illicit revenues.

**Figure 4: Breakdown of estimated income generated by smuggling migrants annually from Cambodia, Lao PDR and Myanmar to Thailand between 2014 and 2017**



Note: The high-low bars represent the upper and lower limits of the price ranges.  
Source: UNODC estimates.

## Environmental crimes

### Environmental crimes in Southeast Asia illustrate the global reach of organized crime

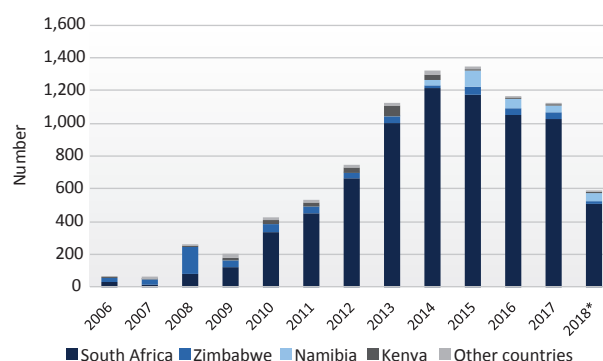
#### Wildlife

Wildlife traffickers in Southeast Asia have a comparative advantage due to strong local demand and reliable local supply from within the region, making Southeast Asia home to some of the

world's largest illicit wildlife markets. Southeast Asia also plays a key role in the transportation of high value, highly endangered and illegally sourced African wildlife for the regional market, but also other parts of Asia and global markets.

A primary issue of concern is the trafficking of African ivory and rhino horn. Multi-ton ivory seizures, sometimes along with smaller quantities of rhino horn, have been made in Viet Nam and Hong Kong, China, but also in mainland China, Cambodia, Lao PDR, Malaysia, the Philippines, Singapore and Thailand. The trafficking of African pangolins and their scales to markets in East and Southeast Asia has also rapidly emerged as a major problem. The increase in the trafficking of African pangolins has followed the decimation of Asian pangolin populations.

**Figure 5: Number of rhino horn poaching incidents in Africa, 2006-2018**



Note: Data for 2018 are preliminary.

Source: International Union for Conservation of Nature (IUCN), Report of the Standing Committee and Secretariat, 2019. Accessed at: <https://cites.org/sites/default/files/eng/cop/18/doc/E-CoP18-083-01.pdf>.

The massive scale of wildlife trafficking from Africa to Southeast Asia and China has been made evident by the number of unprecedented seizures along this route in the first half of 2019, including several that qualify as the largest ever in different countries. These include 8.3 tons of pangolin scales and 9.1 tons of ivory originating from Africa seized in Viet Nam; 7.48 tons of ivory seized in eastern China; and two massive seizures of pangolin scales shipped from Nigeria and seized in Singapore en route to Viet Nam during the same week. These seizures include shipments of 12.9 tons and 12.7 tons seized along with 180 kg of carved elephant ivory and highlight the involvement of organized criminal groups and their ability to source, process and transport illicit wildlife products on a remarkable scale.



## Timber

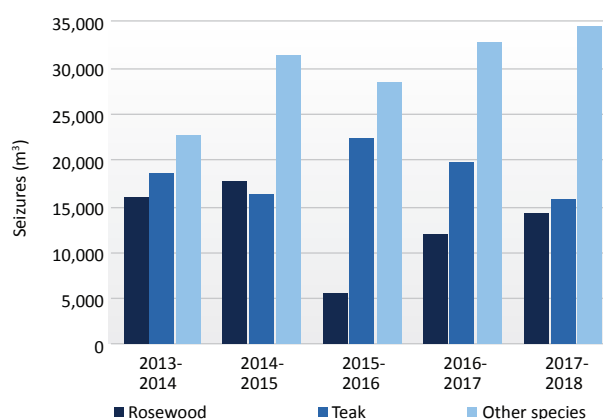
Transnational organized criminal networks involved in the illicit timber trade in Southeast Asia include large national and multinational enterprises that operate at all levels of the supply chain from source forests to consumer markets. They may be involved in commercial-scale illegal logging, timber processing, paper and pulp manufacturing and transporting timber across borders. To facilitate the trade, illegal logging groups typically recruit brokers and agents to connect to clients, forge paperwork, and handle the financial aspects of the trade. Illegal logging also involves small-scale poachers who cut down trees to earn income.

Weak governance of forest resources, unclear forest tenure, corruption in timber supply chains, and the region's proximity to consumer markets and timber processing industries in China continue to make Southeast Asia's timber species high-value targets for the criminal networks. Various government logging bans and other timber sector regulations in Southeast Asia are helping to reduce the illegal trafficking of timber from the region; but these same efforts, in combination with persistently high demand, are driving up prices and displacing the trade to alternative species and more vulnerable source countries within and beyond Southeast Asia. This has been seen with the trade in rosewood species, supplies of which have dwindled in Southeast Asia, stimulating further regional diversification and displacement of the trade to parts of Africa, which has become an increasingly important exporter region.

Viet Nam is a major timber exporter as well as a key wood furniture manufacturing country, and it has especially strong links with legal and illegal timber markets in neighbouring China, Cambodia and Lao PDR. A key factor fueling the recent growth of timber trafficking to Viet Nam from Cambodia is the Lao PDR log and sawnwood export ban, implemented in May 2016, which prompted traffickers to seek new supplies and export from Cambodia. However, timber trafficking from and through Lao PDR to Viet Nam appears to be continuing, with two significant timber seizures made along this overland route in July 2017, including a shipment of 3,915.5 kg of Brazilian rosewood and a seizure of 39.5 cubic meters of red sandalwood. In addition, a large portion of Myanmar's timber exports to

China in recent years consisted of illegal overland flows from contested border regions of Myanmar which are not under government control. While teak is the species most associated with Myanmar, considerable volumes of rosewood and other species have been illicitly trafficked from Myanmar to China, Thailand and Viet Nam.

**Figure 6: Myanmar seizures of rosewood, teak and other species (m<sup>3</sup>), 2013–2014 through 2017–2018**



Source: Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

## Counterfeit goods and falsified medicines

### Southeast Asia is a hub in global counterfeit good supply chains

#### Counterfeit goods and illicit tobacco

Counterfeiters in Southeast Asia produce, assemble and repackage a wide range of fake consumer goods and industrial products, and they continue to use the region's infrastructure, especially seaports, and free trade zones (FTZs), for distribution. The growth in e-commerce and advertising on social media, along with increasingly accessible manufacturing technologies, has enabled counterfeiters to broaden and diversify the range of counterfeit goods and spare parts sold online, and to distribute to customers in small parcels via postal and express freight services. In this respect, the internet is rendering what once was a low-risk, high-profit cross-border crime into an even lower-risk and higher-profit borderless one.

The range of counterfeit goods most commonly found in Southeast Asia includes everything from luxury consumer products such as apparel, footwear, handbags, watches, electronics, and perfumes, to

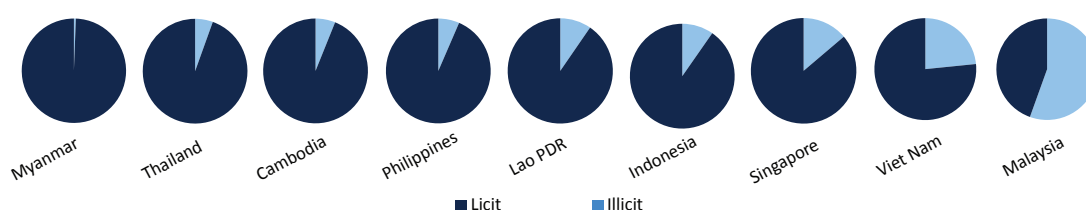
common goods such as foodstuff, alcohol, movies and pirated software, and increasingly, business-to-business products, including chemicals and industrial parts. Although a large share of these illicit goods are manufactured in China, Southeast Asian countries, particularly Malaysia, Thailand and Viet Nam, are playing a more significant role in the manufacture and repackaging of counterfeit goods destined for international markets, and Singapore continues to be a primary transit hub for the trade.

Significant quantities of illicit tobacco products originate in, or transit through, Southeast Asia. Viet Nam, in particular, but also Cambodia and Malaysia, are among the top origins of falsely branded cigarettes and other tobacco products seized in Europe, while Viet Nam has also been identified as a major source of counterfeit cigarettes in Australia.

some manufacturing processes to Malaysia, Viet Nam, Myanmar and Cambodia to avoid tougher regulations and enforcement, and to benefit from lower production costs.

A wide range of falsified medicines have been detected in Southeast Asia in recent years, including falsified rabies vaccines, anti-cancer medications, antimicrobial treatments, anabolic steroids, sleeping pills, pregnancy test kits, and drugs for infertility and weight loss. In the Mekong region, the circulation of falsified anti-malarial drugs continues to be a health threat, with drug-resistant malaria reported in critical border areas, such as along Thailand's borders with Cambodia and Myanmar. These remote areas are more vulnerable to the infiltration of fake products because of gaps in health systems and health service delivery in

**Figure 7: Estimated illicit tobacco consumption as a percentage of total tobacco consumption in selected Southeast Asian countries, 2017**



Source: UNODC elaboration based on data from Oxford Economics, "Asia Illicit Tobacco Indicator 2017", Market Trends, September 2018. Accessed at: <https://www.oxfordeconomics.com/asia-illicit-tobacco>.

The circulation of substandard and hazardous consumer goods, automobile parts, industrial machinery and other products from and through the region continues to present health and safety risks to consumers. Low levels of consumer concern and awareness of associated risks, and the difficulty in detecting falsified goods among vast legitimate commercial flows, have enabled the illicit trade in counterfeit goods to develop into a multi-billion-dollar global industry. In Southeast Asia, the counterfeit goods market, excluding fraudulent medicines, is estimated to generate illicit revenues of approximately US\$ 33.8–US\$ 35.9 billion annually.

### Falsified medicines

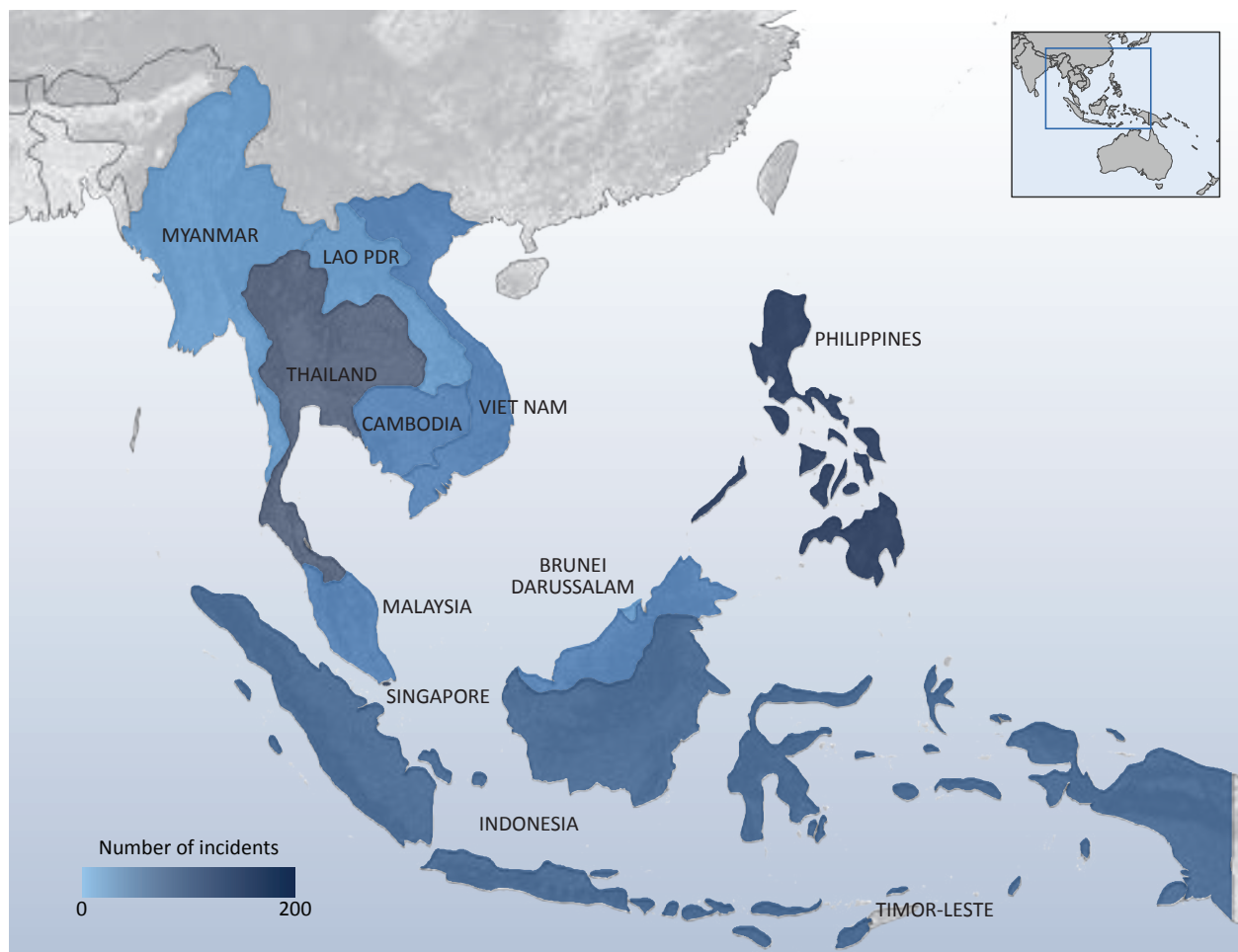
Data indicate that increasing amounts of falsified medicines are being manufactured in Southeast Asian countries. This is in part a result of legitimate, and illegitimate, pharmaceutical producers based in India and China having transferred or outsourced

some areas, which may drive patients to rely on unregulated service providers, contributing to poor treatment outcomes and wasteful spending.

The internet has made medicines more affordable and easier to obtain than ever, but it has also made it more difficult for consumers to know if what they are buying is counterfeit, contaminated or otherwise unsafe. Organized criminal groups in Asia are actively involved in the illicit online medicine trade. In Indonesia, for example, major pharmaceutical counterfeiting gangs coordinate much of the manufacture and traffic in illicit medicines in the country, with a large share of the trade conducted via the internet. Asia-based criminal groups are also increasingly attempting to traffic falsified and counterfeit medicines via online pharmacies into North America.

Corruption plays a significant role in the trade of falsified medicines, with some trafficking networks recruiting current or former pharmaceutical



**Map 2: Frequency of pharmaceutical crime incidents detected in Southeast Asia, 2013-2017**

Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Source: UNODC elaboration based on data obtained from the official correspondence with the Pharmaceutical Security Institute (PSI), September 2018.

company executives and state officials with knowledge of national regulatory and industrial systems. The arrests of a number of healthcare professionals in relation to falsified medicines in Southeast Asia highlights the role of corruption and organized criminal groups in the trade. The amount spent by consumers in Southeast Asia for falsified medicines is estimated to range between US\$ 520 million and US\$ 2.6 billion per year.



## **Development and Methodology**





### Process to obtain and consult on data and information used in the report

UNODC initiated the development of this assessment through a dedicated regional workshop of public security and law enforcement experts and criminal intelligence analysts from ASEAN countries, Australia, China, Japan, and the Republic of Korea in Bangkok in March 2018, to discuss changes and developments in major transnational organized crime flows and illicit markets in the region and neighbouring regions. The need to develop a new threat assessment had been debated prior to this at regional conferences and meetings, including the ASEAN Senior Officials Meeting on Transnational Crime (SOMTC), when countries requested UNODC update its 2013 organized crime threat assessment or TOCTA.

To initiate data collection, governments were given an in-depth questionnaire requesting available data related to the four major crime flows covered in the TOCTA: drugs (methamphetamine and heroin), people (human trafficking and migrant smuggling), environment (wildlife and timber), and counterfeit goods (including falsified medicines). The questionnaires were designed to collect both quantitative and qualitative data from national authorities, agencies, ministries and professionals relevant to the different transnational organized crime types, and UNODC assisted member states to network, and to identify and collect data sources and sets. Completed questionnaires were subsequently submitted by countries to UNODC.

In addition to the questionnaire, extensive data and information produced by national and regional authorities, as well as UNODC and other UN and international agencies was collected and reviewed. Other sources used for the assessment include official notices and case files shared by national authorities, focused interviews with experts in relevant fields, other international partner reports, and peer reviewed academic studies. Public reports were also used, to a lesser degree, to supplement the lack of official data and information related to transnational organized crime flows in the region. UNODC representatives described the methodology of the TOCTA and estimates in detail.

After data collection, analysis was conducted alongside the information gathered for the assessment. To ensure the accuracy and completeness of the data used, a drafting, mapping and data verification process was undertaken to clarify data provided by national agencies, independent experts in several countries in the ASEAN region, key neighbouring countries and the United States, UN partner agencies, other international organizations, and academia.

Following report development, UNODC convened a second meeting, in January 2019, of experts from the ASEAN region and other countries, to present the findings and reconcile inconsistencies and gaps in data to the extent possible, and to establish timelines for final data review and analysis. A draft report was subsequently compiled by UNODC and was circulated for feedback in April 2019, and a

revised draft was subsequently reviewed by UNODC headquarters and expert peer reviewers.

### Assessment methods and geographic scope

Assessments of transnational organized crime threats were made using three main methods: assessing the possible extent of ‘illegality’ embedded in the legal movements of people and trade in commodities within, to and from the region; assessing data and recent developments related to illicit trafficking and associated illicit commodity markets in the region and neighbouring countries and regions that might potentially impact Southeast Asia; and assessing gaps in existing national and regional frameworks established to address transnational organized crimes in the region.

The geographic scope of this assessment is strongly focused on the ASEAN region comprised of Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. However, it also includes analysis of transnational organized crime and associated criminal activity in neighbouring countries and regions which have a particular impact as source, transit and destination locations of illicit crime flows affecting Southeast Asia. These regions include East Asia (China, including Hong Kong and Macau, Japan, the Republic of Korea), South Asia (in particular India and Bangladesh) and Oceania (Australia and New Zealand).

A faint, light blue map of Southeast Asia and Oceania is visible in the background. It includes the Malay Peninsula, Sumatra, Java, Borneo, the Philippines, and parts of Indonesia and Australia. The map is semi-circular, following the curve of the page.

## **Introduction**





## Introduction

Southeast Asia, surrounded by other major markets for illicit activities in the neighboring regions of East Asia, South Asia, and Oceania, is particularly vulnerable to the reach and influence of transnational organized criminal groups. The region plays a major role in the illicit global trade in methamphetamine, heroin, people, wildlife, timber and counterfeit goods and medicines, as an important source, destination and transit location for these illicit flows.

Transnational organized crime is not new to Southeast Asia, and some of the crime patterns witnessed today remain fundamentally unchanged from the past. Many of the same trafficking routes now used for the trafficking of methamphetamine were once used by rebel soldiers hauling opium and heroin through the hills of the Golden Triangle, loads which were ultimately destined for illicit drug markets in Southeast Asia, China, the United States and Europe. Modern maritime routes used for the trafficking of illegal rosewood, African rhino horn and ivory, fake handbags and perfumes were in the past used for the global trade in fake spices, stolen antiquities and smuggled opium and whiskey.

The array of ethnic groups, linguistic, cultural and religious differences, and the geographical characteristics of vast archipelagos and remote mountainous areas, present unique governance challenges to Southeast Asian authorities. In addition, the variety of socio-economic contexts in Southeast Asia – the region consists of developed, developing and least-developed countries – not

only has worked to impede progress towards a common regional market, but has also strongly influenced patterns of organized crime in the region. With different countries having varying capacities and resolve for monitoring and responding to transnational crime threats, it is not surprising that organized criminal groups are targeting countries with lower capacity and political will to implement and enforce robust countermeasures. Moreover, as the data used in this report show, tightened regulations and successful law enforcement measures against illicit activity in some national markets are having the effect of simply displacing the trade to other markets and jurisdictions that are less stringently regulated or capable of responding.

### Rapid economic development and regional integration

Although some illicit trade flows in Southeast Asia cross borders clandestinely along jungle tracks or through unofficial seaports, most illegal commodities in the region are transported using the same infrastructure and routes as legitimate commerce. The dramatic expansion of some of these illicit flows in recent years has been facilitated in part by the freer movement of people, goods and capital across Southeast Asia and to the rest of the world, in a sense assisted by free trade agreements and connectivity initiatives aimed at boosting trade and overall economic growth. Member states of the Association of Southeast Asian Nations (ASEAN)<sup>1</sup> have established, or participate in, a

<sup>1</sup> The ten ASEAN member states are Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic (PDR), Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.



number of multilateral free trade agreements and regional integration frameworks and infrastructure initiatives<sup>2</sup> that enhance connectivity and increase access to previously underdeveloped areas. The ASEAN region is also increasingly connected to other regions, in particular through multilateral and bilateral initiatives with growing consumer markets including with neighbouring China and India.<sup>3</sup>

However, while ASEAN governments have invested heavily in infrastructure and ambitious cross-border trade pacts, they have not made parallel investments in public security and social protection,<sup>4</sup> and a fully operational framework for tackling cross-border crime does not yet exist. Border control mechanisms in Southeast Asia have improved significantly in some locations; however, capacity remains lacking in many places known for trafficking. Meanwhile, opportunistic networks of criminals continue to identify and take advantage of inconsistencies in border management and deficits in legal systems and regional cooperation, asserting themselves to expand operations.<sup>5</sup> As ASEAN standardizes and simplifies its trade and customs procedures, shifting the emphasis of border management from control to facilitation, transnational organized criminal groups are likely to expand their illicit enterprises alongside growing legitimate commercial flows, embedding illegal commodities into the legal movements of people and goods across the region.

2 These include but are not limited to the Regional Comprehensive Economic Partnership (RCEP), Trans-Pacific Partnership (TPP), China's One Belt, One Road Initiative, the Bangladesh-China-India-Myanmar Economic Corridor (BCIM), Asian Highway Network, Trans-Asian Railway Network, India-Myanmar-Thailand Trilateral Highway (IMT), Singapore-Kunming Rail Link, and Sino-Thai Railway Project. For a detailed study of the regional integration initiatives involving ASEAN and its member states, as well as their potential challenges and negative impacts, see UNODC, "Protecting Peace and Prosperity in Southeast Asia: Synchronizing Economic and Security Agendas", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, February 2016.

3 Similar agreements have been signed with other key partners of ASEAN, including the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), and the ASEAN-Korea Free Trade Area (AKFTA).

4 The Master Plan on ASEAN Connectivity has five mentions of the word "crime" and also mentions on page 6 that one of the goals of connectivity is to "address the negative impacts of connectivity". Strategy 8, to achieve institutional connectivity, aims to "enhance border management capabilities", but its focus is towards facilitation and does not seem to encourage deeper efforts towards integrated security capabilities.

5 Jeremy Douglas, "Organised crime threatening the development of Southeast Asia", East Asia Forum, 25 August 2017.

## Free trade and special economic zones

A significant portion of Southeast Asia's trade is being facilitated through the region's numerous but lightly regulated free trade zones (FTZs), sometimes also referred to as special economic zones (SEZs), foreign trade zones or export processing zones. Most FTZs are designed to stimulate trade, attract investment and create jobs by providing tax incentives, trade benefits, deregulation and other investment privileges. FTZs also offer duty and tax free warehousing, storage and distribution facilities, serving as key transshipment hubs for global movements of legitimate trade and container traffic. Though they are most closely associated with maritime trade, FTZs can also be located at international airports and near national land borders to serve the overland traffic of goods.

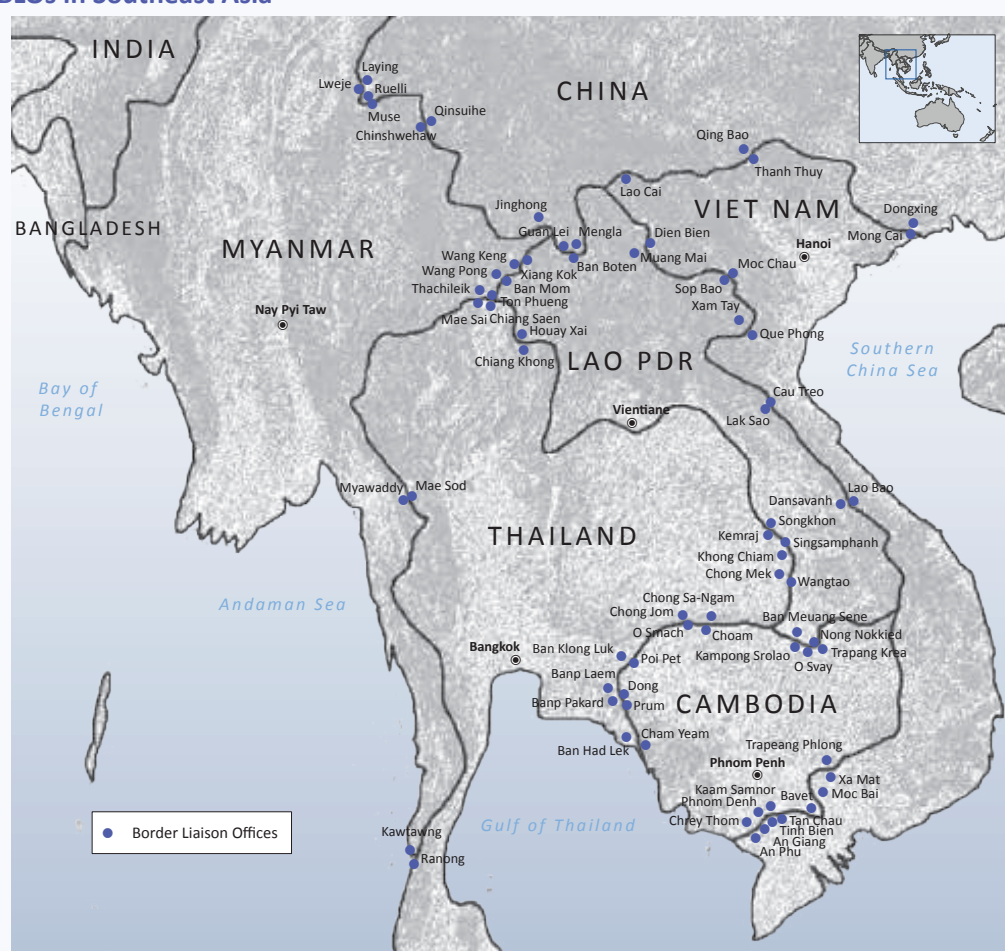
However, in many jurisdictions, government regulation and oversight of FTZs are lax, rendering them vulnerable to illicit trade and other criminal activities. Criminal networks are known to take advantage of weak inspection procedures, record-keeping systems, and the lack of coordination and cooperation between zone and customs and law enforcement authorities. For example, FTZs may be used as locations to change and relabel container loads by adding trademarks or packaging while also adulterating paperwork to conceal the content or origin of a shipment.<sup>6</sup> At the same time, a number of FTZs / SEZs in Southeast Asia are located in areas where government authority and the rule of the law are challenged by criminal influence. Moreover, casinos in SEZs in border areas of Mekong countries are known to facilitate money laundering and trafficking of illicit goods. In particular, SEZs in Lao PDR and Myanmar have become major gambling centers identified as key nodes in the illicit trade of drugs, precursors, and wildlife products. Extensive casino complexes in Cambodia's border areas and in Phnom Penh have also been identified as locations for bulk cash smuggling and the laundering of organized crime revenues.

6 Europol and OHIM, "2015 Situation Report on Counterfeiting in the European Union", a joint project between Europol and the Office for Harmonization of the Internal Market, April 2015.

## Impact of border liaison offices

Despite the different and expanding law enforcement challenges confronting Southeast Asia in countering the illicit movements of people and goods across borders, increased cross-border cooperation and joint operations against transnational organized crime through the UNODC border liaison office or BLO network has resulted in approximately 4,000 instances of cross-border cooperation from the 76 BLO locations in 2017 and 2018.<sup>7</sup> Significant seizures of illicit goods reported by BLOs in 2018 have involved drugs, precursors, weapons, falsified documents, timber and other illicit commodities. For example, in October 2018, BLO offices in the Golden Triangle region shared by Lao PDR, Myanmar and Thailand exchanged intelligence that resulted in the seizure of 4.3 million methamphetamine tablets which had originated in Myanmar and were destined for Thailand, and in August 2018, collaboration among BLO offices in Lao PDR and Viet Nam resulted in the seizure of several hundred thousand methamphetamine tablets at the Lao Bao crossing in Quang Tri province, Viet Nam.<sup>8</sup>

**Map 1: BLOs in Southeast Asia**



Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.  
Source: UNODC Border Liaison Offices.

Even in light of these successes and plans for expansion of the BLO network to Indonesia and Malaysia, border control officers in Southeast Asia remain inadequately equipped to combat the trafficking of illicit goods in a comprehensive manner. At the same time, movements of people and cargo are growing and accelerating, confirming the need to increase knowledge and operational capacity of border officials, especially at high-risk crossings.<sup>9</sup>

7 The Border Liaison Office network was adopted in the Mekong region of Southeast Asia in 1998, and is supported by UNODC. The BLO network and its activities are made possible through the support of the Government of Australia, the Government of Canada, the Government of Japan and the Government of the United States of America.

8 Border Liaison Offices, "BLO Success Stories". Accessed at: <https://sites.google.com/unodc.org/resource-blo/blo-in-asean/success-stories>.

9 UNODC, "Border management", undated. Accessed at: <https://www.unodc.org/southeastasiaandpacific/en/what-we-do/toc/border-overview.html>.

## Characteristics of organized crime groups

Transnational organized criminal groups are essentially illicit businesses or networks driven by market forces like licit businesses, motivated to seek opportunities that offer the highest financial return while keeping costs down and avoiding risks. Highly adaptive to changes and opportunities, they explore ways to expand and diversify their operations, which in Southeast Asia has resulted in a convergence of transnational threats that have evolved to become more complex, volatile and destabilizing.

There is strong evidence that an increasing number of transnational organized criminal groups originating outside the region are targeting Southeast Asia. Intelligence reports indicate that major criminal syndicates and financiers based in Macau, China, Hong Kong, China, and Thailand, working with criminal networks and chemists from Taiwan Province of China, have become dominant players in the production and trafficking of methamphetamine and other synthetic drugs. Over the past couple of decades, networks based in Africa and the Islamic Republic of Iran have been involved in trafficking significant quantities of heroin and methamphetamine, while criminal groups in India continue to be identified as sources of ketamine and various precursor chemicals. More recently, outlaw motorcycle gangs (OMCGs) from Australia and New Zealand have established a number of chapters in Southeast Asia and are involved in drug trafficking, extortion, money laundering and other crimes.<sup>10</sup>

In some types of illicit trade, especially of wildlife, criminal groups recruit highly specialized subcontractors in sophisticated global supply chains to poach, smuggle, store, and distribute illicit products in the region. Criminal networks that traffic counterfeit goods and falsified medicines are often globally dispersed and involve individuals who work for legitimate businesses, and frequently produce their fakes on the same machines used to produce genuine products. To launder money, transnational organized criminal groups in Southeast Asia also often recruit experienced financial managers who live outside the region or that operate in nearby financial centres.

<sup>10</sup> Official communication with the Australian Federal Police and the New Zealand Police, November 2018.

The rapid pace of technological change is altering the way people communicate and purchase goods, and the ability of criminal networks to exploit these technologies to their advantage have had a significant impact on flows of illicit goods,<sup>11</sup> making transnational crime more efficient, less risky and more profitable. The growth of online marketplaces, social media platforms, mobile payments, digital currencies and anonymization software, for example, are enabling criminals to communicate freely, conceal their identity and move illicitly gained money around the world without detection. The increasing use of postal and courier services to deliver illicit products around the world has been directly linked to the growth of e-commerce platforms, which have enabled criminals to reach new markets for illicit drugs, wildlife products, tobacco, and counterfeit goods and medicines.

## Corruption is a facilitator of transnational organized crime

The expansion of transnational criminal activity in Southeast Asia could not take place without significant levels of corruption. Organized criminal networks penetrate public agencies and private organizations, relying on bribery, conflicts of interest, trading in influence and collusion in order to facilitate their criminal activities.<sup>12</sup> Corruption has the potential to facilitate illicit trade at any stage in the supply chain, but border checkpoints appear to be most vulnerable. Corruption at the border can take various forms, from passing information to criminals about patrol routes or customs inspections, to actively assisting in the safe passage of shipments, omitting inspections and clearing them for entry.<sup>13</sup>

Trafficking of precursor chemicals, illegal wildlife and timber, and counterfeit goods, relies on bribery and document fraud to mis-declare the content and origins of illicit cargo, and documents are often forged or approved by corrupt customs and border officials. In many parts of Southeast Asia, the systematic payment of bribes at borders

<sup>11</sup> Europol, "Serious and Organised Crime Threat Assessment: Crime in the Age of Technology", The Hague, The Netherlands, 2017.

<sup>12</sup> Ibid.

<sup>13</sup> Claire Ellis, "On Tap Europe. Organised Crime and Illicit Trade in Tobacco, Alcohol and Pharmaceuticals", RUSI Whitehall Report 2-17, Royal United Services Institute for Defence and Security Studies, London, March 2017.

is as regulated as the payment of fees in official bureaucratic systems.<sup>14</sup> Corruption at airports in the region is also a serious concern, with customs personnel, police officers, airline officials and ground staff having been implicated in a number of trafficking cases in recent years.

In migrant smuggling and human trafficking crimes, UNODC in partnership with the Thailand Institute of Justice identified corruption and lack of accountability as the underlying factors that underpin migration-related crimes.<sup>15</sup> Corruption in the public sector also facilitates the recruitment, transportation and exploitation of migrants. Even after human trafficking has taken place, corruption can impede subsequent victim identification, access to protection services, and return home. Moreover, corruption in the criminal justice system can work to undermine or delay the investigation, prosecution and adjudication of criminal cases.<sup>16</sup>

There are also indications of corrupt practices in the fishing industry in several Southeast Asian countries. Most fisheries crime has a transnational element, and organized criminal groups exploit regulatory loopholes and law enforcement limitations to commit crimes both on-shore and at sea. Based on UNODC research, the primary corruption offenses found in the fisheries sector are bribery, embezzlement and abuse of function, which can occur within the preparation, fishing, processing, landing, and transportation stages of the fisheries value chain.

The adverse effects of corruption are numerous. Corruption distorts legitimate competition, deprives states of revenues and erodes public trust in authorities and legal systems,<sup>17</sup> and can also present far-reaching and complex threats to sustainable development. In recent years, ASEAN governments have given greater attention to anti-corruption efforts in both the private and public sector; however, related laws are inconsistently

implemented and enforced, and prosecutions are rare.<sup>18</sup> In the 2017 UNODC wildlife crime survey, for example, only 11 per cent of reported cases were successfully prosecuted, 7 per cent received prison penalties, and 1 per cent resulted in serious prison penalties.<sup>19</sup>

When suspected complicit officials are penalized, they are often given administrative punishments such as suspensions or transfers to new positions rather than being subjected to criminal prosecutions. Moreover, enforcement continues to focus primarily on individuals rather than systemic corruption, and is often motivated by political strategies to exercise power and or weaken opponents. In addition, in many countries in Southeast Asia, reporting corruption involves high levels of personal risk due to the lack of legal protection against reprisal and abuse.<sup>20</sup>

## Money laundering threats in Southeast Asia

Money laundering enables transnational organized crime groups to disguise or conceal the criminal origins of money and introduce it into the legitimate economy. Deficient legal frameworks, weak border controls, and poorly governed but well-connected financial systems have made Southeast Asia an ideal place for laundering money. The methods used to launder money vary greatly depending on a criminal group's level of expertise as well as the frequency and scale of their laundering activities. This can be done via offshore banks, third-party nominees, underground banking and various other methods. Or criminal groups can more simply recruit cash couriers to hand carry money across borders.

18 Hogan Lovells, "Global Bribery and Corruption Outlook 2018".

19 UNODC, "Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime", UNODC and the Asia/Pacific Group on Money Laundering, Bangkok 2017.

20 For example, the most senior Royal Thai Police corruption investigator for human trafficking is reported to have fled to Australia in 2015 to seek asylum because he feared for his life after investigating the mass grave of a group of victims of human trafficking. He was transferred against his will to a position in the south of Thailand and alleged the traffickers he was investigating were influential and senior police. His investigation was, in his opinion, closed prematurely, although it resulted in over 150 arrest warrants being issued and the conviction of more than 60 persons, including one army lieutenant general. The Guardian, "Revealed: Thailand's most senior human trafficking investigator to seek political asylum in Australia", 10 December 2015. Accessed at: <https://www.theguardian.com/world/2015/dec/10/thailands-most-senior-human-trafficking-investigator-to-see-political-asylum-in-australia>; Liberty Asia, "Legal Analysis of Human Trafficking In Thailand", June 2017. Accessed at: <http://un-act.org/publication/view/legal-analysis-human-trafficking-thailand/>.

14 UNODC Regional Seminar on Smuggling of Migrants, Trafficking in Persons and Corruption: Strengthening Information Sharing and Cooperation.

15 UNODC, "Trafficking in Persons from Cambodia, Lao PDR and Myanmar to Thailand", UNODC and the Thailand Institute of Justice, Bangkok, August 2017.

16 Julius Cesar Trajano, "Combating Human Trafficking in East Asia: Mind the Gaps", S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore, RSIS NTS Insight, no. IN18-05, July 2018.

17 Europol, "Serious and Organised Crime Threat Assessment: Crime in the age of technology", The Hague, The Netherlands, 2017.



Some of the most at-risk sectors for money laundering include commercial banks, securities companies, currency exchange shops, money transfer service providers, insurance companies, real estate agencies, casinos and the trade in valuable materials such as art, antiquities and wildlife products. Those who launder money may include criminals or self-launderers, criminal associates, professionals including lawyers and accountants, and cash-based businesses. Money is often moved by cash courier smugglers, through traditional financial institutions, informal or alternative remittance systems, or via internet banking platforms and digital currencies.<sup>21</sup> Trade-based money laundering (TBML) is increasing, particularly related to drug trafficking in some countries, including Lao PDR and Thailand.<sup>22</sup>

However, inadequate legal frameworks and institutional arrangements in Southeast Asia create challenges for jurisdictions to ‘follow the money’. Most transnational crime investigations in the region are not accompanied by financial investigations related to the predicate offense, asset forfeiture, or in pursuit of money laundering charges. UNODC’s 2017 global survey of wildlife crime and money laundering found that only 26 per cent of the 45 jurisdictions that responded to the survey reported having conducted such investigations, and 79 per cent of jurisdictions reported that they do not include financial intelligence units (FIUs) in a multi-agency approach to combat wildlife crime. Only 1 per cent of wildlife crime cases were reported to have involved specific money laundering investigations, charges or prosecutions.<sup>23</sup>

There has been an increase in the number of incidents of bulk cash smuggling in some countries.<sup>24</sup> Over the past few years, Thai authorities have reported seizing significant quantities of cash from smugglers from Thailand and neighbouring countries, and there are increasing reports of cash couriers from Cambodia, Lao PDR and Myanmar.<sup>25</sup>

Criminal groups with networks in Southeast Asia are also known to launder large sums of money through the formal banking systems in Singapore and Hong Kong, China, due to their openness as international finance and transportation hubs.

## Casinos

As of January 2019, there were 230 licensed casinos in Southeast Asia, including 150 casinos in Cambodia (compared to 57 casinos in 2014), 67 in the Philippines, and five in Lao PDR and Myanmar.<sup>26</sup> Many of these casinos emerged after a crackdown on money laundering activities in Macau, China, in 2014, raising concerns that a ‘displacement’ of criminal activities associated with casinos has taken place to Southeast Asia, especially to jurisdictions in the Mekong region that lack regulatory oversight and enforcement capacity.<sup>27,28</sup> Cambodia in particular has witnessed a dramatic increase in the number of casinos and casino licenses granted since 2014.<sup>29</sup> In addition, there are increasing reports of casinos in Lao PDR, Myanmar, and the Philippines with proven links or alleged links to organized crime and money laundering.<sup>30</sup>

In the Mekong region, many casinos are located in areas characterized by poor governance and political instability, or in border regions with significant crime or armed insurgency problems, and they operate illegally or quasi-legally. In addition to typically being open at all hours, seven days, casinos in these locations often offer a wide range of financial services from foreign exchange to cheque issuance. Through these loosely regulated or entirely unregulated casinos, third-party intermediaries known as junket operators, who finance high-rollers or VIPs, the identities and activities of significant gamblers can be obscured. SEZs in the Golden Triangle region of Myanmar and Lao PDR have become major centers of the illicit wildlife trade,<sup>31</sup> and have been implicated

21 UNODC, “Anti-Money Laundering and the Counter Financing of Terrorism (AML/CFT) in the Mekong Region”, 14 November 2018.

22 APG, “APG Yearly Typologies Report 2018: Methods and Trends of Money Laundering and Terrorism Financing”, Asia-Pacific Group on Money Laundering, Sydney, Australia, July 2018.

23 UNODC, “Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime”, UNODC and the Asia-Pacific Group on Money Laundering, Bangkok 2017.

24 UNODC, “Cambodia, Thailand and Viet Nam target bulk cash smuggling and money laundering in the casino industry”, 05 October 2015. Accessed at: <https://www.unodc.org/southeastasiaandpacific/en/vietnam/2015/10/money-laundering/story.html>.

25 Ibid.

26 UNODC, “Money laundering and casinos in Southeast Asia: a summary of realities and risks”, policy brief (not for public distribution), February 2019; Some casinos are also being constructed as of the time of the development of this report, particularly in Cambodia. There are also casinos in Myanmar’s Special Regions that are not official and which are unregulated.

27 UNODC, “Money laundering and casinos in Southeast Asia: a summary of realities and risks”, Policy brief (not for public distribution), February 2019.

28 Jeremy Douglas, “Asian organized crime doubles down on casinos”, CNN, February 2019.

29 Ibid.

30 Ibid.

31 EIA, “Sin City: Illegal wildlife trade in Laos’ Special Economic Zones”, Environmental Investigation Agency, London, March 2015.

as centers for the production and storage of illicit drugs and their precursor chemicals and other illicit commodities. One of the most notorious of these facilities is the Golden Triangle SEZ in Lao PDR that contains the Kings Romans casino complex, owned by a Hong Kong, China, registered company with a 99-year lease. In January 2018, the U.S. Treasury Department announced sanctions against Kings Romans, alleging serious money laundering, the storage and distribution of methamphetamine, heroin and other drugs for trafficking networks, and the trafficking of wildlife, timber and people.<sup>32</sup> At the same time, large consignments of methamphetamine seized in Thailand have been traced back to Kings Romans.<sup>33</sup> Although located within the border of Lao PDR, national police authorities report that they are unable to gain access into the SEZ casino area.<sup>34</sup>

## Observations

In general, Southeast Asia's public security agencies were designed for a time when crime was primarily local, they remain heavily militarized, and they lack the budget, training and regional cooperation frameworks to push back against 21st century transnational organized crime. Data clearly show that since the publication of the first transnational organized crime threat assessment for the region, in 2013, that the region's diverse and dynamic illicit markets have continued to grow and evolve, outpacing the ability of law enforcement to respond while posing serious threats to public security and sustainable development.

Transnational organized crime groups in Southeast Asia have at the same time become increasingly mobile and are able to take advantage of the region's improving infrastructure to connect to markets, conducting illicit activity by forging documents to cross borders, employing technology to broker deals, and using advanced logistics to move products. Criminal networks have been able to exploit areas with weak border control and expand illicit trade alongside the growing legitimate trade flows in the region. This has been in-part

due to a lack of investment in public security and social protection by Southeast Asian governments. Varying combinations of capacity, corruption, and strategic focus in the region further enable transnational criminal activity in the region.

The data and information in this report are an important evidence-base, allowing for credible estimates to be generated, to prompt public discussion, strengthen national and regional policy responses, to help the ASEAN region consider protective capacities (including border management, law enforcement, criminal justice systems) and to support broader sustainable development and security objectives.

32 U.S. Department of the Treasury, "Treasury Sanctions the Zhao Wei Transnational Criminal Organization", Press Releases, 30 January 2018. Accessed at: <https://home.treasury.gov/news/press-releases/sm0272>.

33 Safe Mekong Coordination Centre (SMCC), "Overview of drug situation in the Golden Triangle & Northern Thailand", February 2018.

34 UNODC, "High-level Regional Conference on Precursor Control Outcome Report", January 2019.





## **Methamphetamine and Related Precursor Chemicals**







## Methamphetamine and Related Precursor Chemicals

### Overview of the situation

A profound change has taken place in Southeast Asia's illicit drug market in recent years as massive amounts of synthetic drugs, in particular methamphetamine, have been increasingly produced in and trafficked from northern Myanmar. This surge appears to have been driven by the displacement of transnational organized crime and associated large-scale methamphetamine manufacture from other parts of East and Southeast Asia, mainly from China, into remote areas where conditions for drug production are favourable.<sup>1</sup> These changes are a clear indication of the increasing mobility of transnational organized crime groups, and their ability to quickly adapt and exploit areas with weak governance and border control.

There are large scale regional drug syndicates that target different countries in the region, through their extensive networks in source, transit and destination countries. Through these networks, transnational organized crime groups have expanded the reach and scale of methamphetamine trafficked from Southeast Asia, with significant impacts on security and public health in neighbouring countries and regions.

At the same time, transnational organized crime groups originating outside of the region have been expanding their presence in Southeast Asia to organize the trafficking of methamphetamine, related precursor chemicals and other synthetic drugs.

<sup>1</sup> National Narcotics Control Commission (NNCC) of China, "2018 Drug Situation in China", June 2019.

The illicit production, diversion and trafficking of precursor chemicals used in methamphetamine manufacture continues in East and Southeast Asia. Drug trafficking groups are diversifying the types of chemicals and production methods, while the quantities of precursors seized remain far below supply.

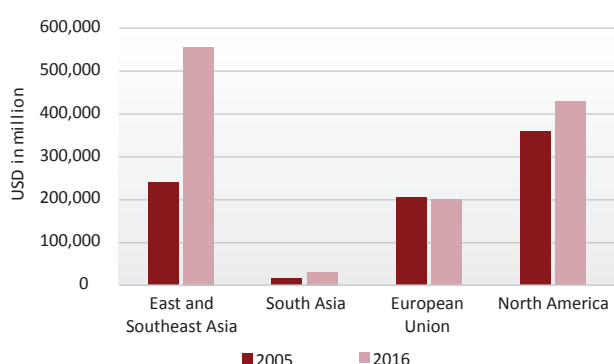
### Nature of the market

By nature, the illicit production of synthetic drugs, including methamphetamine, requires the use of precursor chemicals. The production of plant-based drugs such as heroin involve the extraction of active ingredients which must be cultivated in certain climatic conditions to grow, while the manufacture of synthetic drugs is not geographically constrained. This unique characteristic of synthetic drugs provides drug trafficking groups in East and Southeast Asia a comparative advantage, as the region is a global hub for chemical and pharmaceutical production.<sup>2, 3</sup> It is no coincidence that the two largest methamphetamine markets in the world, East and Southeast Asia and North America, also happen to account for a significant share of the production of chemicals and chemical products at the global level.

<sup>2</sup> According to NNCC of China, there were approximately 170,000 chemical companies in the country as of November 2017. In India, there were 70,000 chemical manufacturing companies in 2014 according to the Department of Chemicals and Petrochemicals (DCPC) of the Ministry of Chemicals and Fertilizers.

<sup>3</sup> Several countries in Southeast Asia have been producing increasing amounts of pharmaceutical and chemical products. For instance, between 2010 and 2016, outputs of pharmaceuticals, medicinal chemicals and botanical products both in Indonesia and Malaysia increased about 1.8 times. For more information see ASEAN Statistical Yearbook 2016/2017.

**Figure 1: Value added of chemicals and chemical products by selected region, 2005 and 2016 (current producer prices, US\$)**



Source: United Nations Industrial Development Organization database.

The lack of a regional precursor control strategy, coupled with weak national capacities to consistently enforce existing laws, has enabled transnational organized crime groups in East and Southeast Asia to supply large quantities of methamphetamine to the region and neighbouring countries. As a result, the East and Southeast Asia region has quickly become the world's largest and most dynamic methamphetamine market and it is a direct challenge to the public security and health of the region.

Another driving factor for the expansion of the regional methamphetamine market is increased demand for the drug. Of the 13 countries<sup>4</sup> for which data are available, all but Viet Nam reported methamphetamine as their primary drug of concern in 2018 (or the latest available year). While a decade ago, only five countries reported the drug as their primary drug of concern.<sup>5</sup>

One of the unique characteristics of the methamphetamine market in the region is the large demand for methamphetamine tablets, more popularly called 'yaba' or 'yama'.<sup>6</sup> Much cheaper than crystalline methamphetamine, yaba has been almost exclusively consumed in the countries of the Mekong region,<sup>7</sup> and continues to be favoured by manual labourers in construction, manufacturing and agriculture as well as workers in night-time entertainment venues. However, recent data

4 The 13 countries are Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, the Philippines, the Republic of Korea, Singapore, Thailand and Viet Nam.

5 Drug Abuse Information Network for Asia and the Pacific (DAINAP).

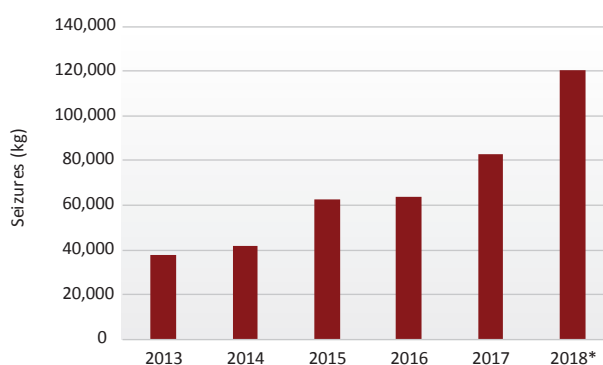
6 Yaba, translated as 'crazy medicine' in the Thai language, is mainly composed of methamphetamine and caffeine, and was formerly referred to as *yama*, which translates as 'horse medicine'.

7 The countries of the Mekong region are Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and China.

indicate that methamphetamine tablet use has become more widespread. According to a recent study, the lifetime prevalence of methamphetamine tablets in Thailand increased from 0.19 per cent to 0.87 per cent between 2011 and 2016.<sup>8</sup> The favoured form of methamphetamine in the rest of the region has long been the more potent crystalline methamphetamine – referred to in parts of the region as 'shabu' and 'ice' – which is primary crushed into a fine powder and smoked, although some users also inject the drug.

To meet and expand demand for methamphetamine in the region, transnational organized crime groups are trafficking staggering amounts of both methamphetamine tablets and crystalline methamphetamine to markets in East and Southeast Asia and, increasingly to other parts of the world. Seizures of both forms of the drug in East and Southeast Asia are being made in quantities unimaginable a decade ago. In 2017, seizures amounted to more than 82 tons, by far the largest amount ever reported from the region. The latest available data for 2018 show a further substantial increase to 120 tons.<sup>9, 10</sup>

**Figure 2: Seizures of all forms of methamphetamine in East and Southeast Asia, 2013-2018\***



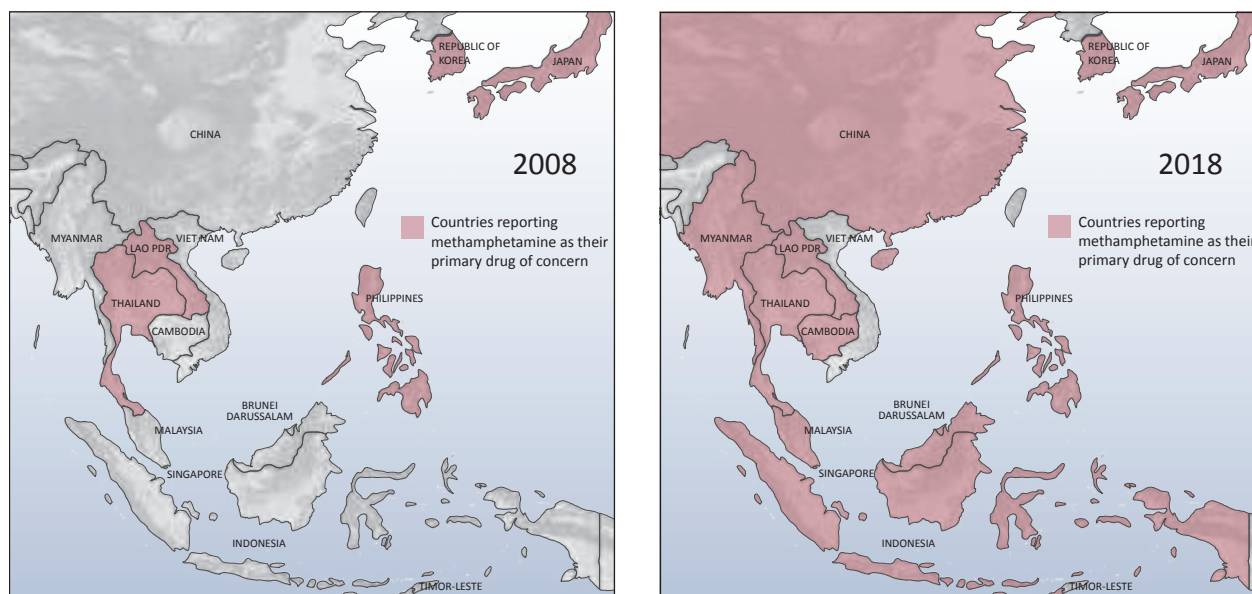
Note: \*Data for 2018 are preliminary. For more information see footnote no. 9.

Sources: UNODC, responses to the annual report questionnaire (ARQ) and government sources; Drug Abuse Information Network for Asia and the Pacific (DAINAP).

8 Darika Saingam, "Substance Abuse Policy in Thailand: Current Challenges and Future Strategies", *Journal of Drug and Alcohol Research*, Vol 7, The Administrative Committee of Substance Abuse Academic Network, March 2018.

9 At the time of writing, full-year drug seizure data were reported and provided by Brunei Darussalam, Cambodia, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, the Republic of Korea, Thailand and Viet Nam. Mainland China provided data through September 2018 and Taiwan Province of China through August. No 2018 data were available for Hong Kong, China, and Macau, China.

10 It is important to note that the confirmed seizure total of methamphetamine in the region in 2018, 120 tons, is a sum for all purity levels of the drug. For instance, the purity range for methamphetamine tablets is between 15-25 per cent, while purity levels of crystalline methamphetamine can vary widely and in some instances have been found to be higher than 90 per cent.

**Map 1: Countries reporting methamphetamine as their primary drug of concern, 2008-2018**

Note: Data for 2018 were available for Malaysia, Myanmar and Thailand. Data for 2017 were used for all other countries. Data for the Democratic Republic of Korea, Hong Kong, China, Mongolia and Taiwan Province of China are not available. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: Drug Abuse Information Network for Asia and the Pacific (DAINAP); Official Communication with Japan and the Republic of Korea, January 2019.

### Surge of methamphetamine production in Myanmar

The illicit manufacture of methamphetamine by transnational organized crime groups has been reported in most countries in East and Southeast Asia. The number of clandestine methamphetamine laboratories dismantled in the region increased every year from 2008 and reached its peak in 2015 when 526 laboratories were dismantled. The figure has declined each year since, dropping to 130 laboratories in 2018 (January-October), according to preliminary data reported from East and Southeast Asia.

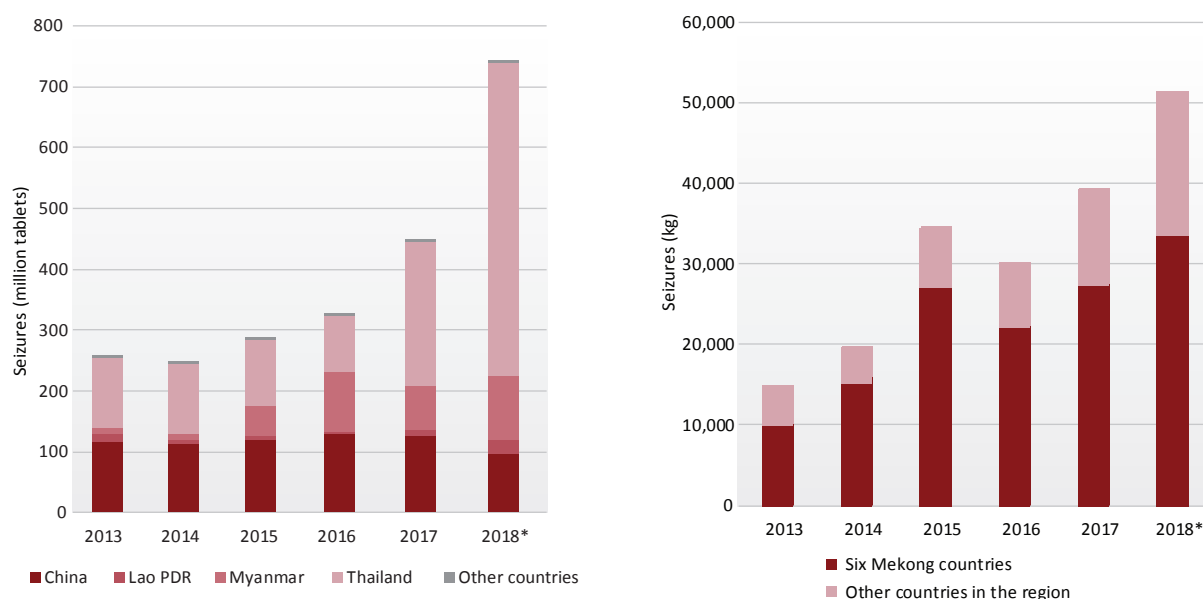
This downward trend has mainly been driven by a drop in the number of clandestine methamphetamine laboratories dismantled in China. The government reports that the number of laboratories dropped by nearly 60 per cent between 2015 and 2017, largely as a result of sustained law enforcement efforts against the illicit trade. Preliminary data for 2018 (January-October) show a further substantial decline.<sup>11</sup> Overall, the number of methamphetamine manufacturing facilities dismantled in the region stands in

contrast with increasing seizures of the drug in the region. This divergence between the two trends indicates the presence of undetected large-scale clandestine manufacturing facilities and/or clusters of manufacturing facilities in the region.<sup>12</sup>

In 2015, the year that China reported the highest number of dismantled clandestine methamphetamine laboratories, the government also reported a record amount of methamphetamine being seized. The number of drug-related arrests and the number of drug-related cases also reached their highest levels in recent years.

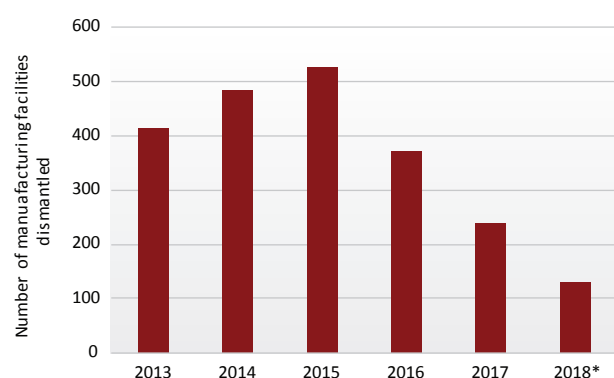
11 NNCC, "Precursor chemicals in China", National Narcotics Control Commission of China, presented at the High-level Regional Conference on Precursor Control, Nay Pyi Taw, Myanmar, November 2018.

12 UNODC, "Synthetic Drugs in East and Southeast Asia: Latest Trends and Patterns of Amphetamine-type Stimulants and New Psychoactive Substances", March 2019.

**Figure 3: Seizures of methamphetamine tablets and crystalline methamphetamine in East and Southeast Asia, 2013-2018\***

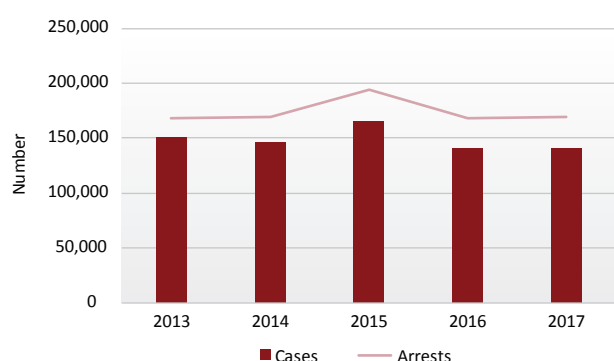
Note: \*Data for 2018 are preliminary. For more information see footnote no. 9.

Sources: UNODC, responses to the annual report questionnaire (ARQ) and government sources; DAINAP.

**Figure 4: Number of clandestine methamphetamine manufacturing facilities dismantled in East and Southeast Asia, 2013-2018\***

Note: \*Data for 2018 cover the first 10 months of the year.

Sources: UNODC, responses to the annual report questionnaire (ARQ) and government sources; DAINAP.

**Figure 5: Number of drug-related cases and arrests in China, 2013-2017**

Sources: NNCC, "Annual Report on Drug Control in China for 2018" and previous years; NNCC, "Latest situation on synthetic drugs and responses to the threats in China", presented at the 2014 SMART Regional Workshop, Yangon, Myanmar, August 2014.

The decline in illicit methamphetamine manufacture in China has increased the importance of Myanmar as a supply source. It is also an indicator that large transnational organized crime syndicates that once operated in China have relocated into parts of Myanmar to evade increased law enforcement pressure.

The consumer cost competitiveness of methamphetamine manufactured in the Golden Triangle may be an additional factor for making Myanmar attractive to transnational organized crime groups. Trafficking groups appear to be sourcing increasing quantities of the drug from the Golden Triangle for markets that have traditionally been supplied by methamphetamine illicitly manufactured in China. According to Chinese authorities, the typical wholesale price for crystalline methamphetamine manufactured in the country has rapidly increased.<sup>13</sup> On the other hand, the typical wholesale price of Golden Triangle crystalline methamphetamine supplied to the market in China was estimated to be as low as US\$ 1,800 kg in 2018.<sup>14</sup>

13 NNCC, "Precursor chemicals in China", National Narcotics Control Commission of China, presented at the High-level Regional Conference on Precursor Control, Nay Pyi Taw, Myanmar, November 2018.

14 NNCC, "NPS and ATS Control in China", presented at UNODC 42<sup>nd</sup> Meeting of Heads of National Drug Law Enforcement Agencies, Asia and the Pacific (HONLAP), Bangkok, Thailand, October 2018.

### Recent trends in the illicit ketamine market in Southeast Asia

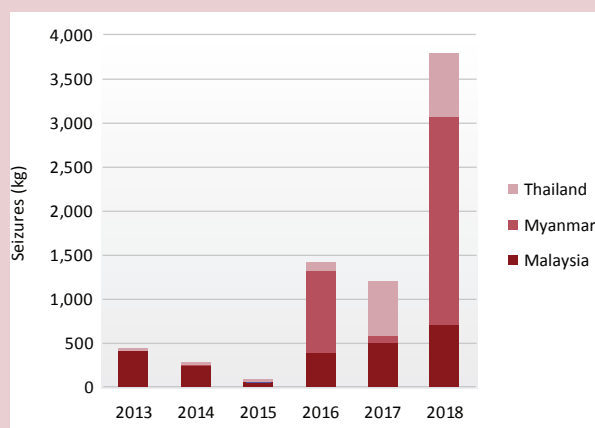
The displacement of some ketamine manufacture from China to the drug producing regions of Myanmar has followed a pattern similar to that seen with the migration of methamphetamine manufacture across the border. For instance, law enforcement operations against clandestine drug manufacturing facilities in Kutkai in Shan State in early 2018 also yielded close to 2.4 tons of ketamine.<sup>15</sup>

Ketamine seizure and use trends also suggest this is the case. Quantities of ketamine seized have declined in China and Hong Kong, China, since reaching their peak in 2015, while seizures in Southeast Asia have moved in the opposite direction. Thailand, for instance, reported combined ketamine seizures of 185.4 kg during the 2013–2016 period, including the seizure of about 26 kg in 2015 and 95 kg in 2016. However, ketamine seizures increased sharply to about 658 kg in 2017 and 720 kg in 2018, while Thai authorities noted a sharp increase in the use of the drug in recent years.<sup>16</sup>

Malaysia dismantled a large illicit ketamine manufacturing laboratory in 2016 and there has

been a steady flow of ketamine seized in the region trafficked from Malaysia.

**Figure 6: Seizures of ketamine in Malaysia, Myanmar and Thailand, 2013-2018**



Source: DAINAP.

It appears that a small portion of ketamine manufactured in the region has been trafficked to the United States. In January 2018, Myanmar authorities seized 4.9 kg of ketamine destined for California, from Mong La (Special Region 4) of Myanmar.<sup>17</sup> In another case, 4 kg of the drug destined for New York was seized in Lashio, North Shan State, Myanmar, in February 2018.<sup>18</sup>

In February and March 2018, Myanmar authorities dismantled six large industrial scale drug manufacturing facilities in Kutkai Township in North Shan State. The facilities produced not only methamphetamine but also ketamine. In total, authorities seized more than 1.2 million methamphetamine tablets, 259 kg of crystalline methamphetamine, 2,350 kg of ketamine and 13 kg of powder methamphetamine, 139 kg of ephedrine, 10 tons of caffeine, 203 tons of various other precursor chemicals<sup>19</sup> and two methamphetamine

tablet pressing machines.<sup>20</sup> Nobody was arrested. In previous years, nearly all of the manufacturing facilities dismantled in Myanmar were either tablet production facilities or heroin.<sup>21</sup>

Illicit methamphetamine manufacture also takes place in other countries in Southeast Asia. Malaysia has reported significant levels of illicit methamphetamine manufacture in recent years, with authorities dismantling nearly 80 clandestine laboratories from 2013-2018.<sup>22</sup> Indonesia also continues to report seizures of clandestine

15 CCDAC, Myanmar country presentation, Central Committee for Drug Abuse Control of Myanmar, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

16 UNODC, "Synthetic Drugs in East and Southeast Asia: Patterns and Trends of Amphetamine-type Stimulants and New Psychoactive Substances", March 2019.

17 CCDAC, "Myanmar country report", presented at the 24th Asia-Pacific Operational Drug Enforcement Conference (ADEC), Tokyo, Japan, February 2019.

18 Ibid.

19 Including hydrochloric acid, sulphuric acid, hydrogen peroxide, chloroform and ethyl-ether.

20 CCDAC, Myanmar country presentation, Central Committee for Drug Abuse Control of Myanmar, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

21 UNODC, "Synthetic Drugs in East and Southeast Asia: Patterns and Trends of Amphetamine-type Stimulants and New Psychoactive Substances", March 2019.

22 DAINAP; NADA and Royal Malaysian Police, "Latest situation on synthetic drugs responses to the threats in Malaysia", presented at the Global SMART Programme regional workshop, Chiang Rai, Thailand, August, 2018 and previous country reports presented at past SMART regional workshops; Royal Malaysian Police, "Precursor Chemicals in Malaysia", presented at the High-Level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018.



methamphetamine laboratories, though there has been no seizure of large-scale manufacturing facilities reported since 2013.<sup>23</sup> The Philippines has reported the dismantling of large-scale illicit methamphetamine manufacturing facilities in recent years, including 10 laboratories in 2016, the largest number dismantled in the country over the past 10 years.<sup>24</sup> There has been no seizure of illicit methamphetamine manufacturing facilities reported from Cambodia, Lao PDR, and Viet Nam since 2013.<sup>25, 26</sup>

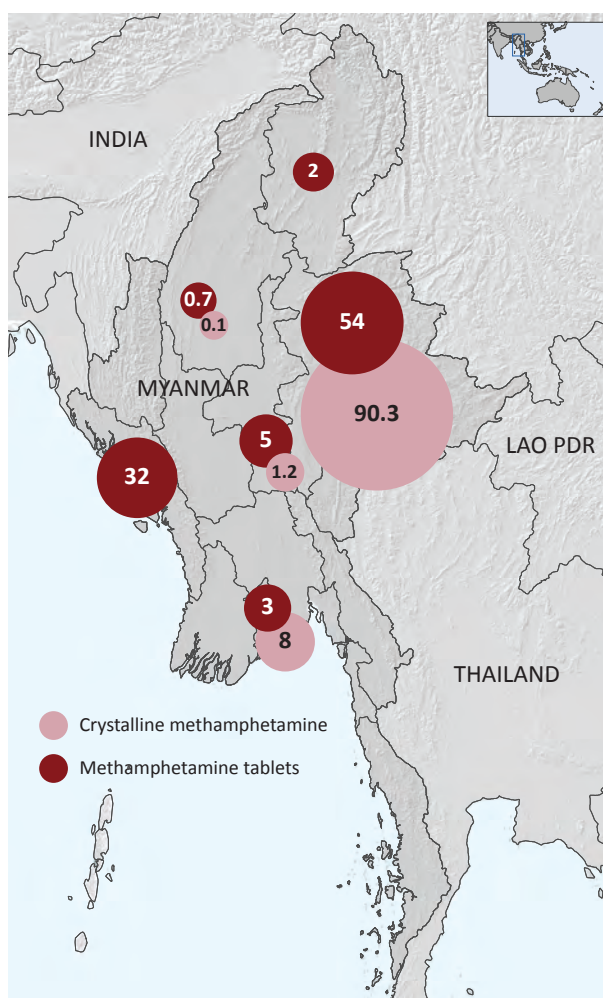
### Methamphetamine from Myanmar to Southeast Asia and China

Sub-national methamphetamine seizure data from Myanmar indicate how methamphetamine manufactured in the Golden Triangle has been trafficked out from the country. Between 2017 and 2018, a majority of methamphetamine tablets seizures and a substantial proportion of crystalline methamphetamine seizures were made in Shan State, confirming the state's status as the country's production hub for methamphetamine. In 2017, Yangon accounted for nearly 30 per cent of total crystalline methamphetamine seizures, reflecting substantial maritime flows of the drug shipped from its port or nearby.<sup>27</sup> Another notable trend is the high proportion of methamphetamine tablet seizures made in Rakhine State, in the western region of the country bordering Bangladesh (discussed later in the chapter).

Sharing borders with China, Lao PDR and Thailand, Shan State is a significant source for methamphetamine trafficked from Myanmar to the three countries for their domestic markets as well as for subsequent trafficking to countries in Southeast Asia and beyond, including Australia, Japan, New Zealand and the Republic of Korea. The primary trafficking flows run directly from drug producing areas of Shan State across the border into northern Thailand, and large quantities are also trafficked through the northwestern regions of Lao PDR before crossing the Mekong River

into Thailand's Chiang Rai province. In addition, increasing quantities of Myanmar-manufactured crystalline methamphetamine are being trafficked overland through Thailand to Malaysia and via maritime trafficking routes from Thailand, as well as directly by sea from ports in Yangon and the southern regions of Myanmar.<sup>28</sup>

**Map 2: Proportion of tablet and crystalline methamphetamine seizures in Myanmar by state, 2017-2018**



Note: Figures are rounded to the first decimal place; Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on data from CCDAC, "Myanmar country presentation", presented at the UNODC Mekong Drugs and Precursor Trafficking Route Analysis Workshop, Ho Chi Minh, Viet Nam, April 2018; Official communication with CCDAC, Myanmar, February 2019.

<sup>23</sup> DAINAP.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

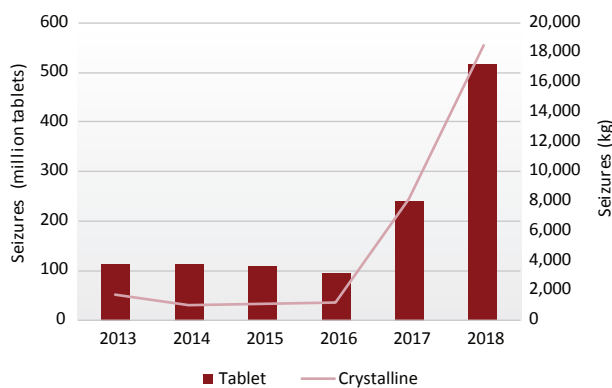
<sup>26</sup> It does not necessarily mean there has been no methamphetamine manufacture in those countries, and there are intelligence reports indicating but not confirming production. The absence of confirmation may indicate challenges detecting manufacturing sites and investigating complex and serious organized crime.

<sup>27</sup> CCDAC, "Myanmar country briefing", presented at the UNODC Mekong Drugs and Precursor Trafficking Route Analysis Workshop, Ho Chi Minh, Viet Nam. April 2018.

<sup>28</sup> Major ports of departure for drugs produced in the Mekong and for precursor chemicals include the Yangon and Thilawa (25 km outside of Yangon) ports in Myanmar, and Khlong Toei and Laem Chabang ports in Thailand. UNODC, "Drug and Precursor Trafficking Routes in the Mekong Region", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, October 2018 (Restricted distribution).

Between 2013 and 2016, seizures of methamphetamine tablets and crystalline methamphetamine in Thailand did not show a particular trend; but since 2017, seizures of both types of the drug have increased substantially, with authorities regularly reporting seizures of more than 1 million tablets and very large quantities of crystalline methamphetamine. The number of methamphetamine tablets seized in Thailand in 2018 alone amounted to more than 515 million, larger than the combined seizures of the drug reported from all countries in the region in any preceding year.<sup>29</sup>

**Figure 7: Seizures of methamphetamine in Thailand, 2013-2018**

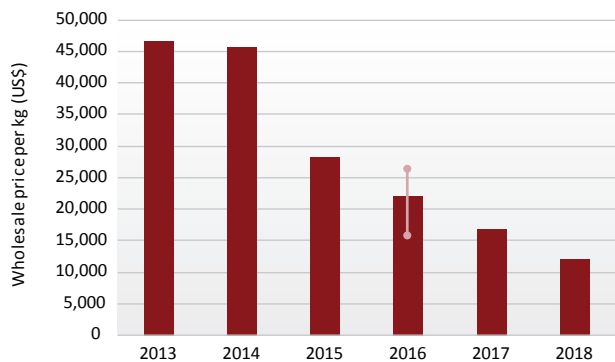


Sources: DAINAP; Official communication with ONCB, Thailand, January 2019.

Data on crystalline methamphetamine seizures by province in Thailand show that Malaysia has become an important hub for regional methamphetamine trafficking. In 2018, the amount of crystalline methamphetamine seized in the southern part of the country, close to Malaysia, accounted for one-third of the total seizures of the drug in Thailand. In 2013, the corresponding figure was only 7 per cent, highlighting the escalation of crystalline methamphetamine flows into Malaysia. Methamphetamine tablets, in contrast, have shown no particular change in the proportions seized at the Thailand-Malaysia border between 2013 and 2018, mainly because the market for methamphetamine tablets is largely confined to the Mekong region.

<sup>29</sup> DAINAP; Official Communication with ONCB, Thailand, January 2019.

**Figure 8: Changes in the wholesale price of crystalline methamphetamine in Malaysia, 2013-2018**



Note: The high-low bars represent the upper and lower limits of the price ranges in addition to the typical price. There was no typical price for 2016 reported from Malaysia. The median value of the high and low prices was used for the purpose of this figure.

Sources: DAINAP; Official Communication with The National Anti-Drugs Agency (NADA), Malaysia, January 2019.

As the availability of crystalline methamphetamine has increased in Malaysia in recent years the wholesale price of the drug in the country has decreased significantly. In 2018, it reached the lowest price reported from the country over the last decade.

At the same time, authorities in Malaysia, Myanmar and Thailand have made a number of very significant seizures of crystalline methamphetamine trafficked from the Golden Triangle.<sup>30</sup> For instance, in March 2019, Malaysian authorities reported the seizure of more than 2 tons of crystalline methamphetamine in Johor, the largest amount ever seized in the country.<sup>31</sup> In addition, in March 2019, a Myanmar naval unit seized a shipment of 1,737 kg of crystalline methamphetamine from a boat near the coastal town of Kawthaung, at the southern tip of Myanmar.<sup>32</sup>

Malaysia became a key embarkation point for crystalline methamphetamine seized in Indonesia in 2017.<sup>33</sup> There are three major trafficking routes that transnational organized crime groups in Malaysia use to supply the drug to Indonesia. In 2017, by weight, crystalline methamphetamine trafficked through the Malacca Strait by fishing vessel was the

<sup>30</sup> Country briefings delivered by CCDAC of Myanmar, NADA & RMP of Malaysia, and ONCB of Thailand at the 2018 SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

<sup>31</sup> Royal Malaysian Police, official press conference, March 2019.

<sup>32</sup> Official communication with the Myanmar Central Committee for Drug Abuse Control, March 2019.

<sup>33</sup> UNODC ARQ Indonesia for 2017.



most prominent route, while Tawau and Borneo Island were also cited as major embarkation points for methamphetamine trafficked from Malaysia to Indonesia.<sup>34</sup>

**Map 3: Top 5 provinces for crystalline methamphetamine seizures in Thailand, 2018**



Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Source: UNODC elaboration based on data provided by the Office of the Narcotics Control Board, Thailand.

Due to its geographical location, mountainous topography and weak border control, Lao PDR remains an important transit location for methamphetamine from Myanmar destined to other countries in the Mekong region. It also has become an increasingly important transit country for precursor chemicals used in Myanmar for methamphetamine production. Lao authorities seized record amounts of the drug in 2018, including more than 21 million methamphetamine tablets and 1.8 tons of crystalline methamphetamine. Prior to 2018, Lao PDR seized an average of less than 100 kg of crystalline methamphetamine

annually between 2013 and 2017.<sup>35</sup> Authorities in Cambodia seized a crystalline methamphetamine consignment weighing 120 kg in June 2018 in Stung Treng province in the northeastern part of the country which had been trafficked from Myanmar and onward by bus through Lao PDR.<sup>36</sup>

Large quantities of methamphetamine originating from the Golden Triangle have increasingly been trafficked to Viet Nam through its northwest border with Lao PDR.<sup>37</sup> Viet Nam is also a transit location for methamphetamine trafficked from the Golden Triangle to other countries, in particular to the Philippines. For instance, in August 2018, Philippines authorities seized approximately 356 kg of crystalline methamphetamine at the Manila international container port. The embarkation point for the drug was Viet Nam but the source was reported as the Golden Triangle based in part on impurity profiling conducted by authorities.<sup>38</sup> Another case reported from the Philippines Bureau of Customs in March 2019 that resulted in a seizure of 276 kg, shows that flows of crystalline methamphetamine trafficked from the Golden Triangle via Viet Nam are reaching the Philippines.<sup>39</sup>

In recent years, there has been a significant increase in the amount of crystalline methamphetamine seized in Yunnan, China, indicating intensified flows of the drug from the Golden Triangle. During the first eight months of 2018, Chinese authorities seized 1.8 tons of crystalline methamphetamine, representing a more than 22-fold increase compared with 2015.<sup>40</sup> In 2017, Chinese authorities seized a total of 79 shipments of crystalline methamphetamine involved with more than 1 kg of the drug trafficked along the country's border with Myanmar. Of the 79 seizure cases, about 53 per cent (by number) were trafficked from Lao Kai (North Shan), followed by Muse (North Shan, 33

34 BNN, "Indonesia Country Report", presented at the UNODC Mekong MOU Trafficking Route Analysis Workshop, Ho Chi Minh, Viet Nam, April 2018.

35 DAINAP; Lao National Commission for Drug Control and Supervision, "Report of illicit drug seizures for 2018" and corresponding reports from previous years; Official communication with LCDC, February 2019.

36 NACD, "Latest Situation on Synthetic Drugs and Responses to the Threats in Cambodia", National Authority for Combatting Drugs, UNODC Global SMART Regional Workshop, Chiang Rai, August, 2018.

37 SODC, "Synthetic drug situation in Viet Nam", Standing Office on Drugs and Crime, presented at the UNODC Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

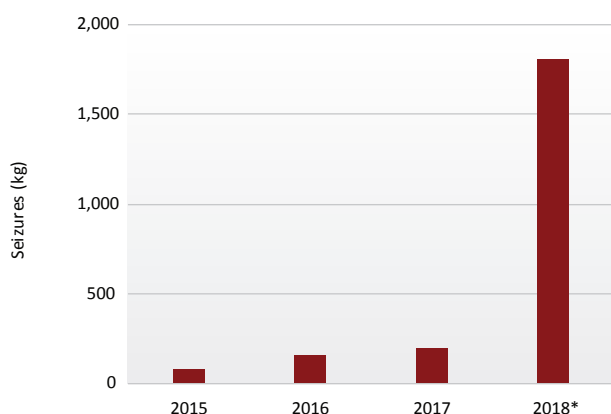
38 Official communication with the Philippines Drug Enforcement Agency (PDEA), February 2019.

39 Philippines Bureau of Customs, "Customs, PDEA foils shabu shipment at Manila North Harbor", Official Press release, March 2019.

40 NNCC, "NPS and ATS Control in China", presented at the UNODC 42<sup>nd</sup> Meeting of Heads of National Drug Law Enforcement Agencies, Asia and the Pacific (HONLAP), Bangkok, October 2018.

per cent), and Mong La (Special Region 4, 14 per cent).<sup>41</sup>

**Figure 9: Seizures of crystalline methamphetamine in Yunnan province, China, 2015-2018\***



Note: \*Data for 2018 cover the first eight months of the year.

Source: NNCC, “NPS and ATS Control in China”, presented at the UNODC 42nd Meeting of Heads of National Drug Law Enforcement Agencies, Asia and the Pacific (HONLAP), Bangkok, Thailand, October 2018.

### Methamphetamine from Southeast Asia to Australia, Japan, New Zealand and the Republic of Korea

Expanding flows of crystalline methamphetamine from the Golden Triangle into Thailand and Malaysia have had the effect of shifting trafficking patterns within the region and heightening the importance of Southeast Asia as an origin and transit region. In addition, Taiwan Province of China has also become an increasingly important transit point or source of crystalline methamphetamine trafficked to the broader Asian region. At the same time, the quantities trafficked from mainland China appear to have decreased significantly. For instance, in 2017, Thailand and Malaysia ranked second and third respectively as prominent departure points for methamphetamine seized at the Australian border,<sup>42</sup> whereas in 2015, China and Hong Kong, China, were the top two embarkation points for methamphetamine trafficked to Australia.<sup>43</sup> Cambodia, Indonesia and Viet Nam were also mentioned as major embarkation points for methamphetamine seized in Australia in recent

years.<sup>44</sup> Organized crime groups target the high retail prices of the drug in Australia and New Zealand, and several major crystalline methamphetamine trafficking cases originating from Southeast Asia have been reported from the two countries in recent years.<sup>45</sup>

Most of the methamphetamine found in Japan and the Republic of Korea has traditionally been sourced from China, with smaller quantities imported from North America and negligible amounts produced domestically. However, in recent years, Southeast Asia has become an increasingly important source of crystalline methamphetamine for Japan and the Republic of Korea.<sup>46</sup> In terms of the number of trafficking cases, Southeast Asia became the primary embarkation point for methamphetamine seized in Japan in 2018, and Taiwan Province of China has also emerged as an important source since 2016.<sup>47</sup> In 2018, Taiwan Province of China accounted for only 5 per cent of the total number of seizures made in Japan but 30 per cent of the overall weight.<sup>48</sup> In total, Japan Customs seized 174 kg of crystalline methamphetamine originating from Thailand (in 19 cases) and 63 kg originating from Malaysia (in 22 cases) in 2018, as well as 21 kg from Cambodia (in 7 cases) and 5 kg from Viet Nam (in 5 cases).<sup>49</sup> There has also been a noticeable change in geographical sources of methamphetamine found in the Republic of Korea. In 2018, nearly one third of the crystalline methamphetamine seized in the country had originated from Thailand, including the seizure of 90 kg crystalline methamphetamine perceived to have been produced in Myanmar and trafficked through Lao PDR and Thailand to the Republic of Korea.<sup>50</sup>

In addition, there has been an increasing number of drug couriers arrested at airports in Japan and the

44 ACIC, “Illicit Drug Data Report 2016-17”, Australian Criminal Intelligence Commission, Canberra, 2018.

45 For instance, in December 2017, Australian authorities seized 1.3 tons of crystalline methamphetamine perceived to have originated in Shan State, Myanmar. Australian Federal Police, “Australian Drug Trends”, presented at the 23<sup>rd</sup> Asia-Pacific Operational Drug Enforcement Conference (ADEC), February 2018, Tokyo, Japan.

46 UNODC, “Synthetic Drugs in East and Southeast Asia: Trends and Patterns of Amphetamine-type Stimulants and New Psychoactive Substances”, March 2019.

47 Japan Customs, Trends in Illicit Drugs Smuggling 2016.

48 Ministry of Finance, Japan, “Summary of Japan Customs’ Enforcement in 2018”, Press release, February 2019.

49 Ibid.

50 SPO, “Drug Control in Korea”, Supreme Prosecutors’ Office, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

41 NNCC, “Country drug situation briefing”, presented at the Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

42 UNODC, ARQ for Australia for 2017.

43 UNODC, ARQ for Australia for 2015.

**Map 4: Crystalline methamphetamine trafficking flows in East and Southeast Asia, 2016-2018**

Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources of production or manufacture, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on information from ARQ 2016 and 2017; Country drug situation briefings presented at the 2018 SMART Regional Workshop, Chiang Rai, Thailand, August 2018 and the Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

Republic of Korea attempting to traffic crystalline methamphetamine from Malaysia and Thailand, and a corresponding decrease in the amounts of methamphetamine detected originating from China. For instance, from December 2018 to February 2019, a total of 9 Malaysian couriers were arrested in 6 cases for attempting to smuggle a combined 16.3 kg of methamphetamine into the Republic of Korea (average seizure of approximately 2.7 kg).<sup>51</sup> Similar to Australia and New Zealand, Japan and the Republic of Korea have some of the highest retail prices for crystalline methamphetamine in East and Southeast Asia, making both countries attractive for drug traffickers based in Southeast Asia.

<sup>51</sup> Ibid.

### **Methamphetamine from Myanmar to Bangladesh**

The westward flow of methamphetamine tablets from Myanmar to Bangladesh has increased continually the past 10 years. According to Myanmar authorities, approximately one third of all methamphetamine tablets seized in the country were found in Rakhine state, adjacent to Bangladesh (see map 5)<sup>52</sup> where a robust methamphetamine market has developed in a short period of time. The number of methamphetamine tablets seized in Bangladesh in 2017, the latest year for which officially corroborated data are available, totalled

<sup>52</sup> Official communication with the Central Committee for Drug Abuse Control of Myanmar, February 2019.



**Map 5: Methamphetamine tablet trafficking flows in the Mekong region, 2016-2018**

Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources of production or manufacture, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on information from ARQ 2016 and 2017; Country drug situation briefings presented at the 2018 SMART Regional Workshop, Chiang Rai, Thailand, August 2018 and the Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

more than 40 million tablets, representing a 14-fold increase compared to 2013.<sup>53</sup>

### **Methamphetamine-related precursor chemical flows from, within and to Southeast Asia**

The illicit manufacture of methamphetamine in Myanmar is to a large extent dependent on a steady supply of ephedrine and pseudoephedrine, tons of which are trafficked each year from China, to some extent India, and to a much lesser extent, from Thailand.

In addition to China and India, a diverse mix of precursor chemicals and laboratory equipment are illicitly imported from and through Thailand, Viet Nam, Lao PDR and Bangladesh.<sup>54</sup> Chemicals imported from or through Thailand enter Myanmar from northern Thailand directly across the border to Shan State or enter Myanmar at border crossings further south and then transit through Yangon before being transported to clandestine

<sup>53</sup> UNODC ARQ 2013 and 2017 for Bangladesh.

<sup>54</sup> BINLEA, "International Narcotics Control Strategy Report 2018, Volume I, Drug and Chemical Control", Bureau of International Law Enforcement Affairs, U.S. Department of State, March 2018. Accessed at: <https://www.state.gov/documents/organization/278759.pdf>.

methamphetamine laboratories in Shan State.<sup>55</sup> Precursor chemicals and substances trafficked from Viet Nam through Lao PDR to Myanmar include pseudoephedrine and concentrated caffeine used as a cutting agent for methamphetamine tablets.<sup>56</sup> Myanmar has reported its largest concentrated caffeine seizures in recent years, including almost 20 tons in 2016 and 6 tons in 2017.<sup>57</sup>

Both the annual amounts and the number of cases of pseudoephedrine seizures in Myanmar have shown an overall declining trend in recent years, in contrast to the substantial increases of methamphetamine seizures during the same period. This trend has been largely driven by the smaller quantities of pseudoephedrine seized along the shared border areas of Myanmar and India,<sup>58</sup> which likely indicates a reduction in the volume of pseudoephedrine, mainly in the form of pharmaceutical preparations, trafficked from India to Myanmar in recent years.

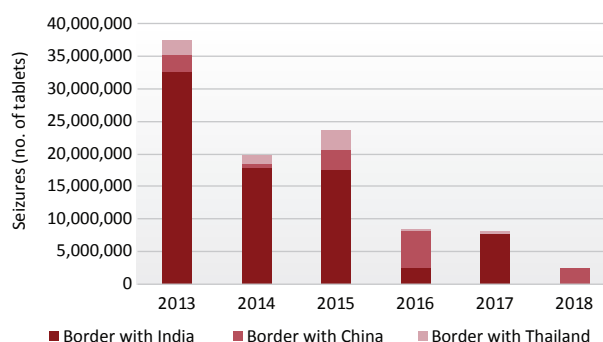
A total of nearly 15,000 litres of 1-phenyl-2-propanone (P-2-P) and 4,950 litres of phenylacetic acid, a precursor for P-2-P, have been seized in Myanmar since 2014.<sup>59</sup> Authorities in China have also made several significant seizures of P-2-P destined for Myanmar in recent years. For instance, in June 2017, police in Guangxi province arrested 26 suspects with 20 tons of ephedrine and P-2-P, destined for production sites in Myanmar.<sup>60</sup> In the same month, police in Yunnan province seized some 4.9 tons of P-2-P.<sup>62</sup>

However, the increasing amounts of P-2-P seized in Myanmar have not been enough to offset decreases in the quantities of ephedrine and pseudoephedrine reported seized, especially

considering the intensification and increase in scale of methamphetamine production in the Golden Triangle in recent years. This confirms that large quantities of methamphetamine precursors continue to be trafficked to Myanmar across its various borders without being detected.

Transnational organized crime groups in China continue to explore pre-precursors for manufacturing methamphetamine in response to national and international precursor control frameworks. In 2017, Chinese authorities seized 206 tons of 2-bromo-1-phenyl-1-propanone (2-bromopropiophenone), a chemical not under international control but which can be used for the illicit manufacture of ephedrine.<sup>63</sup>

**Figure 10: Amounts and locations of pseudoephedrine seizures in Myanmar, 2013-2018**



Note: \*The amount of pseudoephedrine found in each tablet varies. Sources: CCDAC, "Precursor Chemicals in Myanmar: Regulation, Enforcement Capacity & Trafficking Trends", presented at the High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018; and CCDAC, "Myanmar country presentation" presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

There have been no seizures of 2-bromopropiophenone reported from countries in Southeast Asia. The persistent downward trend observed in ephedrine and pseudoephedrine seizures in Myanmar (see figure 10) may be associated with the emergence of non-scheduled chemicals also being trafficked from neighbouring countries. If that is the case, it would pose a significant challenge to law enforcement authorities in Myanmar and elsewhere in the region.

Another precursor chemical that deserves greater law enforcement attention is thionyl chloride, which is a necessary chemical for producing methamphetamine through the metal hydrogenation process (known as the Emde method) with ephedrine/pseudoephedrine as starting materials. In 2018, a clandestine

55 SMCC, "Overview of Drugs Situation in the Golden Triangle & Mekong Region", Intelligence Coordination Division, Safe Mekong Coordination Center, Office of the Narcotics Control Board, Thailand Ministry of Justice, presented at the Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

56 Ibid.

57 INCB, "Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances 2018", International Narcotics Control Board, Vienna, March 2019.

58 CCDAC, "Precursor Chemicals in Myanmar: Regulation, Enforcement Capacity & Trafficking Trends", presented at the High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018.

59 CCDAC, "Law enforcement statistics in Myanmar 1988–2018", Central Committee for Drug Abuse Control of Myanmar, 2019.

60 The only reported seizures of BMK in Myanmar were made in 2014, when 4,800 litres was seized.

61 SMCC, "Overview of Drugs Situation in the Golden Triangle & Mekong Region", Intelligence Coordination Division, Safe Mekong Coordination Center, Office of the Narcotics Control Board, Thailand Ministry of Justice, presented at the Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

62 NNCC, "Country presentation", Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

63 NNCC, "2018 Annual Report on Drug Control in China", National Narcotics Control Commission of China, Beijing, 2019.

methamphetamine laboratory was seized in Myanmar using equipment associated with the metal hydrogenation process, indicating that this method remains a methamphetamine processing route used by organized crime groups in the country.<sup>64</sup> In December 2017, police in Yunnan province of China seized more than 11 tons of thionyl chloride destined for Myanmar.<sup>65</sup>

**Map 6: Methamphetamine precursor chemical trafficking flows into Myanmar, 2016-2018**



Note: Flow arrows do not necessarily indicate the source/manufacture and they represent the general direction of trafficking, they are not actual trafficking routes, and are not weighted by the scale of trafficking along the indicated routes. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on information from CCDAC, "Synthetic drug situation in Myanmar", presented at the SMART Regional Workshop, Hanoi, Viet Nam, August 2017; CCDAC, "Precursor Chemicals in Myanmar: Regulation, Enforcement Capacity & Trafficking Trends", presented at the High Level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018; and NNCC, "Country situation briefing", presented at the Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

<sup>64</sup> DEA, United States country presentation, United States Drug Enforcement Agency, presented at the High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018.

<sup>65</sup> NNCC, "Country presentation", Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

Malaysia is a key destination for ephedrine trafficked from India, particularly through airports in Delhi, Chennai, Cochin and Bangalore. In 2017, Malaysia also seized other chemicals destined for clandestine methamphetamine manufacture but not under international control, including hydriodic acid and hypophosphorous acid.<sup>66</sup>

### Profiles of major trafficking groups and their methods and means

The transnational organized crime groups involved in the illicit manufacture and trafficking of methamphetamine in East and Southeast Asia have shown a high degree of adaptability. They have shifted the locations of production, diversified the precursor chemicals used to circumvent international controls and evade law enforcement detection, developed new trafficking routes, employed new concealment methods, and targeted and developed new markets.

### Major Asian drug trafficking syndicates

Several law enforcement operations conducted in Myanmar have confirmed that major regional drug syndicates have migrated operations into the country. In one operation conducted in 2016, Myanmar authorities arrested several members of a regional drug syndicate. The operation resulted in seizures of 1.1 tons of crystalline methamphetamine and more than 620 kg of ketamine concealed in tea packages in Yangon. Evidence collected through the investigation indicated that the group was comprised of several nationalities and had extensive networks, and had been involved in several large-scale shipments that had been seized previously, including nearly 600 kg of crystalline methamphetamine in Japan in May 2016 and 500 kg of the drug in New Zealand in June 2016.<sup>67</sup>

One particular method of concealment used by transnational crime and trafficking groups operating in Shan State over the past few years is the smuggling of crystalline methamphetamine in tea packages. Based on extensive case information reported by countries in the region, seizures of crystalline methamphetamine concealed in a particular tea packaging have been found

<sup>66</sup> INCB, "Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances 2018", International Narcotics Control Board, Vienna, March 2019.

<sup>67</sup> CCDAC, "Seizure of ICE 1,110 kg, Ketamine 622.3 kg and ATS 2.46 million tablets in Yangon, Myanmar", presented at a bilateral meeting between CCDAC and UNODC, October 2017.



throughout the Mekong and in most other parts of Southeast Asia (Brunei Darussalam is the exception), as well as in Australia. The majority of major crystalline methamphetamine seizures in recent years have involved this method, with the number of seizures involving tea packages increasing in line with the growth of crystalline methamphetamine production in Myanmar.<sup>68</sup>

Yellow and green versions of the tea packages have been seized, with the yellow variation more commonly detected. A large portion of the tea packages seized are labelled 'Guan Yin Wang', although other yellow variations of the packaging are also prominently in circulation. During the first seven months of 2018 alone Thai authorities seized more than 12,000 packages of crystalline methamphetamine concealed with this method, and they have also reported many cases of mixed loads of methamphetamine in combination with ketamine, with the ketamine concealed in another type of green tea packaging denote the difference.<sup>69</sup> The consistency of the packaging, methods of shipment and distances from point of production to end market, suggest that a major transnational organized crime syndicate and/or a network of organized crime groups are coordinating and are behind the surge in illicit crystalline methamphetamine production and trafficking. In addition, intelligence provided to UNODC suggests these tea packages originate in particular parts of northern Shan State, indicating a high concentration of crystalline methamphetamine production in certain areas.<sup>70</sup>

While the rationale for using tea packaging remains unclear, it appears to be an attempt by the organized crime groups involved to develop a brand, similar to the way that the United Wa State Army branded methamphetamine tablets with the 'Wy' or 'WY' logos, allowing drug dealers and drug users to be certain that the product they are buying is of a certain quality. There is also evidence that following a period of intensive law enforcement focus against

organized crime in southern China - which impelled traffickers to relocate across the border into the Golden Triangle area, particularly Myanmar's special regions and nearby areas controlled by non-state militias and ethnic armed groups – that these groups now conceal their crystalline methamphetamine in these tea packages. This method is a strategy to signal continuity and quality to traffickers, dealers and users.<sup>71</sup>

There are also indications that some transnational organized crime groups from the region have migrated into the Philippines. In April 2018, Philippine national authorities, in cooperation with Chinese authorities, dismantled three illicit methamphetamine manufacturing sites in Ibaan and Malabon and seized 4.6 tons of liquid methamphetamine and 13 tons of various precursor chemicals. A total of 16 members of a transnational organized crime group were charged in connection with this case.<sup>72</sup> Also in 2018, authorities in the Philippines dismantled two methamphetamine laboratories operated by transnational organized crime groups from the Golden Triangle, and another laboratory operated by a Hong Kong, China, based network.<sup>73</sup>

Drug producing groups in Myanmar continue to recruit drug couriers from some ethnic groups in the greater Golden Triangle region to smuggle large consignments of methamphetamine as well as other drugs and illicit commodities. In 2018, Thai authorities reported a number of large methamphetamine seizures involving ethnic Hmong traffickers. Related consignments included 800 kg of crystalline methamphetamine and 15 million methamphetamine tablets in Chiang Rai province, in May and June respectively.<sup>74</sup>

Smaller but significant quantities of methamphetamine and other drugs are being smuggled in East and Southeast Asia through the postal stream. In 2018, a total of 169 cases of attempted drug smuggling through the postal

68 UNODC, "Drug and Precursor Trafficking Routes in the Mekong Region", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, October 2018 (Restricted distribution).

69 ONCB, "Overview of Drugs Situation in Golden Triangle & Mekong Region", Intelligence Coordination Division, Safe Mekong Coordination Center, Office of the Narcotics Control Board, Ministry of Justice Thailand, Global SMART Workshop, August 2018.

70 UNODC, "Drug and Precursor Trafficking Routes in the Mekong Region", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, October 2018 (Restricted distribution).

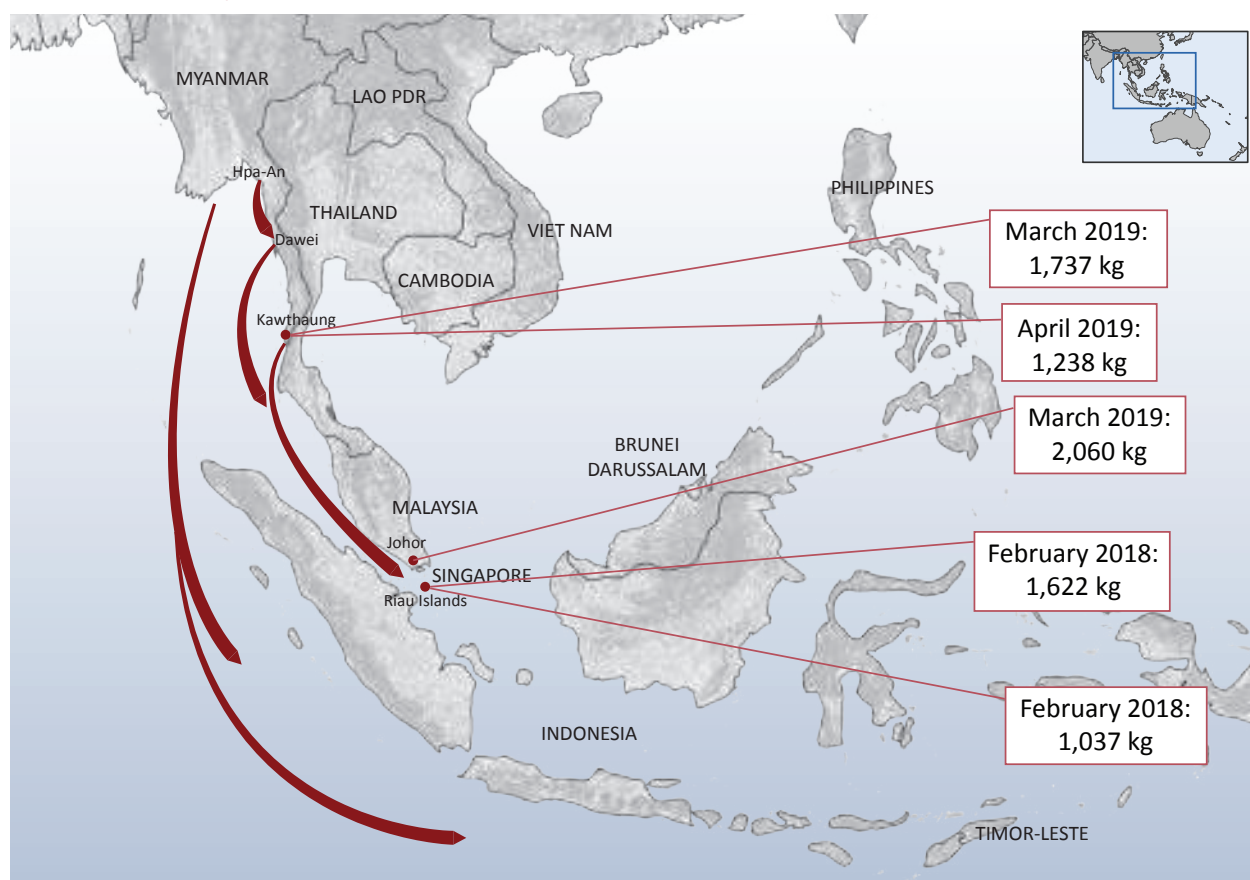
71 Ibid.

72 NNCC, "Precursor chemicals in China", National Narcotics Control Commission of China, presented at the High-level Regional Conference on Precursor Control, Nay Pyi Taw, Myanmar, November 2018.

73 PDEA, "Drug Situation in the Philippines", Philippines Drug Enforcement Agency, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

74 ONCB, "Overview of Drugs Situation in Golden Triangle & Mekong Region", Intelligence Coordination Division, Safe Mekong Coordination Center, Office of the Narcotics Control Board, Ministry of Justice Thailand, Global SMART Workshop, August 2018.

**Map 7: Selected crystalline methamphetamine maritime and seaport trafficking cases in and through the Andaman Sea, 2018-2019**



Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources of production or manufacture, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on information from official communication with national authorities of Indonesia, Malaysia, Myanmar and Thailand.

system were detected in Indonesia,<sup>75</sup> while a total of 40 incidents were detected in the Philippines from January 2018 to January 2019.<sup>76</sup> Customs officials in Tokyo seized a consignment of 28 kg of crystalline methamphetamine concealed in candles from a postal delivery in May 2018.<sup>77</sup> Considerably larger quantities have been detected in the postal stream in China, with offenders using false identities and sophisticated concealment methods. In 2017, a total of 12.1 tons of unspecified drugs were detected in express delivery channels.<sup>78</sup> However, the data remain limited, preventing a clearer understanding of this method and trend.

In recent years, drug syndicate members from Taiwan Province of China have become increasingly active in the illicit methamphetamine trade in East and Southeast Asia. In the last two years, several countries in East and Southeast Asia and in neighbouring regions, including Australia, Cambodia, China, Indonesia, Japan, Malaysia, Myanmar, the Philippines, the Republic of Korea, Thailand and Viet Nam, have reported arrests of drug syndicate members from Taiwan Province of China for methamphetamine trafficking.<sup>79</sup>

In Indonesia, authorities seized 8.23 tons of crystalline methamphetamine in 2018, representing by far the largest total ever reported from the country.<sup>80</sup> The high-level of methamphetamine seizures was in-part

75 BNN, Indonesia Country Report, National Narcotics Board of Indonesia, presented at the 2<sup>nd</sup> Meeting of the AIPA Advisory Council on Dangerous Drugs (AIPACODD), Chiang Mai, Thailand, March 2019.

76 PDEA, "Drug Situation in the Philippines", Philippines Drug Enforcement Agency, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

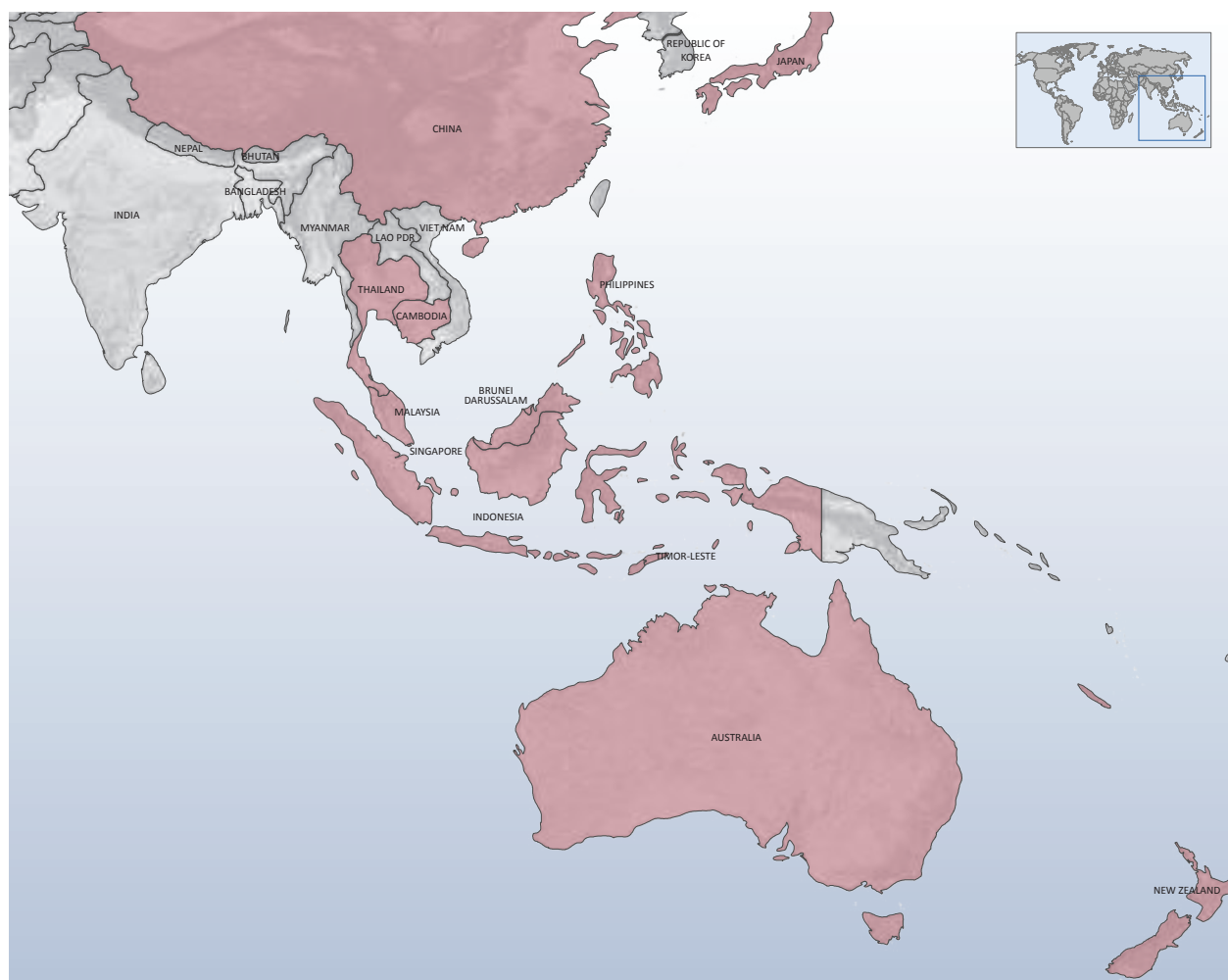
77 Ministry of Finance, Japan, "Summary of Japan Customs' Enforcement in 2018", Press release, February 2019.

78 NNCC, "Drug situation in China", presented at the UNODC Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

79 Country drug situation briefings, presented by AFP of Australia, NNCC of China, BBN of Indonesia, NPA of Japan, CCDAC of Myanmar, SPO of the Republic of Korea, PDEA of the Philippines, NADA & RMP of Malaysia, ONCB of Thailand, SODC of Viet Nam, and NACD of Cambodia, at the 2018 SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

80 Official communication with BNN, June 2019.



**Map 8: Countries in Southeast Asia and neighbouring regions where OMCGs are known to be active**

Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Source: Australian Federal Police.

attributable to two trafficking cases detected in the Andaman Sea. For instance, Indonesian authorities reported the seizure of 1,063 kg of crystalline methamphetamine aboard a fishing vessel, which originated from Yangon and transited through Phuket, Thailand and onward through to Singapore before being seized in Indonesia. The consignment was known to be destined for Australia.<sup>81</sup> A second case involved the seizure of 1,620 kg of crystalline methamphetamine concealed in tea packages.<sup>82</sup> Both seizures, reported in February 2018, were made in the vicinity of Batam and resulted in arrests of drug traffickers from Taiwan Province of China.<sup>83</sup> Taiwanese groups have also been involved in illicit methamphetamine manufacture as well as the

production of Erimin 5 tablets<sup>84</sup> in Malaysia since at least 2012. They are reported to hire what have been referred to as 'roving chemists' to synthesise crystalline methamphetamine in the country.<sup>85</sup>

### Outlaw motorcycle gangs

Outlaw motorcycle gangs (OMCGs) from Australia and New Zealand are expanding their presence in East and Southeast Asia to organize the trafficking of illicit drugs, in particular methamphetamine and related precursor chemicals, in-part as a result of focused law enforcement efforts against them at home. In June 2017, Australian authorities seized more than 1.4 tons of ephedrine trafficked from Guangdong province, China, and arrested 14 people,

81 BNN, "Current Situation on Synthetic Drug Responses in Facing the Threat in Indonesia 2018", National Narcotics Agency of Indonesia, UNODC Global SMART Workshop, Chiang Rai, August 2018.

82 Ibid.

83 Ibid.

84 Erimin 5 is the name of a discontinued proprietary product, and it normally contains nimetazepam, a benzodiazepine derivative.

85 RMP, "Malaysia Drug Situation", Royal Malaysia Police, Narcotics Crime Investigation Department, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

including members of the Rebels motorcycle gang.<sup>86</sup> Furthermore, three men associated with an OMCG were arrested in Australia with 119 kg of crystal methamphetamine trafficked from Malaysia and seized in Melbourne in April 2017.<sup>87</sup> It is expected that OMCGs may expand their involvement in the methamphetamine trade from Southeast Asia to Australia, considering the low price per kg, and increased quantities of, methamphetamine manufactured and available in the region.

## Market size estimate

UNODC has analysed the methamphetamine markets not only in Southeast Asia but also in East Asia, Australia, New Zealand and Bangladesh, as these markets are heavily connected to, and impacted by, methamphetamine manufactured in and trafficked from Southeast Asia.

In order to calculate the amount of methamphetamine consumed annually, it is necessary to estimate the number of methamphetamine users and the average amount of pure methamphetamine (100 per cent purity) consumed per user per year. The estimated number of methamphetamine users can be obtained from methamphetamine prevalence data available from countries in the regions, and UNODC has applied a regional average for those countries without any prevalence data for methamphetamine.

Data for the estimated amount of pure methamphetamine consumed are available from Australia and New Zealand. According to the latest Australian wastewater drug monitoring programme report, methamphetamine users in the country consumed about 9,847 kg of pure methamphetamine annually.<sup>88</sup> For New Zealand, it is estimated that about 832 kg<sup>89</sup> of pure methamphetamine is consumed in the country per year, based on a study

conducted between November 2018 and January 2019. Dividing those figures by the estimated number of methamphetamine users in Australia and New Zealand generated from the recent drug prevalence data<sup>90</sup> could yield the average amount of pure methamphetamine consumed per user in each country.<sup>91</sup> There is limited understanding of the estimated amount of pure methamphetamine consumed in other assessed countries.<sup>92</sup>

The estimated amount of pure methamphetamine consumed in each of the assessed countries was obtained by multiplying the estimated number of methamphetamine users with the amount of pure methamphetamine consumed per user. Based on this approach, it is estimated that approximately 12.4 million methamphetamine users in the assessed countries consumed about 340 tons of pure methamphetamine,<sup>93</sup> with China, including

90 According to the 2016 Australian Drug Strategy Household Survey, the estimated annual prevalence of amphetamines (methamphetamine and amphetamine) in the country is 1.4 per cent among people over the age of 14 years. For New Zealand, the estimated annual prevalence for amphetamines is 1.0 per cent among people aged between 16 and 64.

91 There are three uncertainties about the data used in this approach. First, one part of this method is the numbers of methamphetamine users in Australia and New Zealand, derived from their recent drug use household surveys. While these figures are the most reliable estimates of the size of the methamphetamine using population in the countries, drug use household surveys may underestimate the prevalence of drug use when large numbers of drug users are not covered by the survey or users simply do not report their drug use. Second, UNODC based the estimated amount of pure methamphetamine consumed in the two countries on their latest wastewater analysis reports. A wastewater analysis is a useful tool to gauge drug use trends and patterns in surveyed communities; however, the results can be inflated if there are drug production sites in the vicinity and / or the disposal of drugs in the sewers of surveyed areas. Although there are strong indications that the quantities of methamphetamine manufactured in the countries has decreased, the presence of domestic methamphetamine production could have impacted the studies. Lastly, there is limited understanding on how much of the drug a methamphetamine user, in particular a heavy user, could consume per year, which would help to verify the UNODC estimates.

92 The National Anti-Narcotics Agency (BNN) and the Health University Center of the University of Indonesia conducted a survey to estimate the median amount of methamphetamine consumed in Indonesia in 2011. The methodology used in the survey was to use interviews with meth users admitted in health facilities. According to the survey, the estimated annual consumption of methamphetamine was around 10.4 grams per user, or 0.03 grams per person per day. However, heavy drug users may have used up to 40 grams of the drug per year.

93 It is important to note that confirmed seizure total of methamphetamine in the region in 2018, 120 tons, is a sum for all purity levels of the drug. For instance, the purity range for methamphetamine tablets is between 15 – 25 per cent, while purity levels of crystalline methamphetamine can be found in a wide range and in some instances have been found to be higher than 90 per cent. In this respect, the 120 tons of methamphetamine seized in the region in 2018 are not equivalent to 120 tons of 'pure methamphetamine', and while it is very difficult to calculate a 'interception' or seizure rate for synthetic drugs, it is reasonable to assume the percentage of methamphetamine seized is quite low compared to the volumes produced (corroborated by declining street prices). Forensic testing of seizures is necessary to generate data on synthetic drugs, and the lack of forensic data in Southeast Asia is a severe limitation that needs to be addressed.

86 Australian Federal Police, Official press release, "Drug supply network dismantled after more than a tonne of border-controlled drugs seized", June 2017.

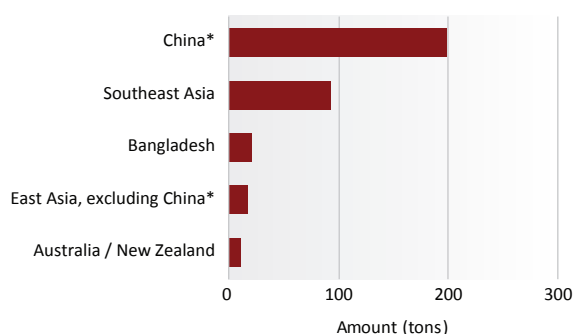
87 Australian Border Force, Official press release, "Three men associated with Outlaw Motorcycle Gang busted with \$119 million of Ice", April 2017.

88 Australian Criminal Intelligence Commission, National Wastewater Drug Monitoring Programme, Series No.6, December 2018.

89 The study from New Zealand estimates that on average 16 kg of pure methamphetamine is consumed per week in the country, which can be translated into 832 kg per year; New Zealand Police, "First release of National Wastewater Testing results", press release, April 2019. Accessed at: <https://www.police.govt.nz/news/release/first-release-national-wastewater-testing-results>.

Hong Kong, Macau and Taiwan Province of China, and Southeast Asia accounting for 86 per cent of the total amount.

**Figure 11: Estimated amount of pure methamphetamine consumed in East and Southeast Asia, Australia, New Zealand and Bangladesh, 2017**



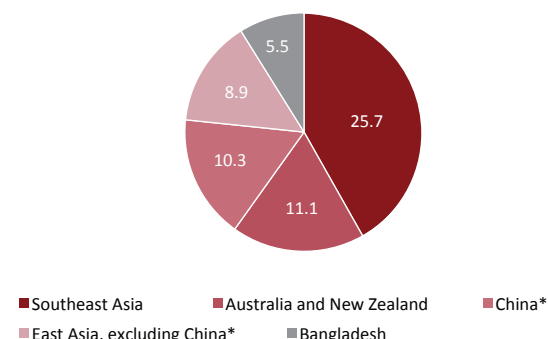
Note: \*China includes Hong Kong, China, Macau, China and Taiwan Province of China.

Source: UNODC elaboration based on government data.

The estimated amount of pure methamphetamine consumed in each assessed country was multiplied with the retail price of 1 gram of the drug adjusted for purities. Based on this, the size of illicit methamphetamine market in the region is estimated to be between US\$ 30.3 and US\$ 61.4 billion for both tablet and crystalline methamphetamine.<sup>94</sup> Due to high retail prices of methamphetamine reported from Australia, Japan, New Zealand and the Republic of Korea, the four countries account for about one-third of the high-end estimated total value of the methamphetamine market. The breakdown of the high-end estimate can be found in Figure 12.

94 For the methamphetamine tablet market assessment, only eight countries – Bangladesh, Cambodia, China, Lao PDR, Malaysia, Myanmar, Thailand and Viet Nam – were analysed considering almost all methamphetamine tablet seizures were reported from these countries. Each of eight countries' estimated number of methamphetamine users was segregated into methamphetamine tablet and crystalline methamphetamine users, by taking into consideration the available indicators from those countries, such as drug treatment, the number of drug users arrested by drug type and expert perception. For instance, the Government of China reported that two out of 10 registered methamphetamine users are methamphetamine tablet users.

**Figure 12: Estimated size of the retail methamphetamine markets in East and Southeast Asia, Australia, New Zealand and Bangladesh, billion US\$<sup>95</sup>**



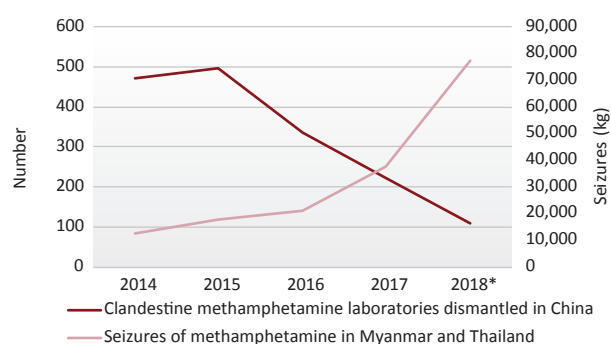
Note: \*China includes Hong Kong, China, Macau, China and Taiwan Province of China. Figures were rounded to the first decimal place.

Source: UNODC elaboration based on government data.

## Looking ahead

The illicit drug market in Southeast Asia is undergoing a profound change driven by a steep surge in the manufacture of methamphetamine, in particular in some parts of Myanmar known as the Golden Triangle. The situation is in-part due to strengthened law enforcement suppression efforts in China, which forced drug syndicates to migrate operations, primarily to Myanmar, illustrating how quickly transnational organized crime groups are able to respond to changes in the surrounding environment.

**Figure 13: Trends in the number of clandestine methamphetamine laboratories dismantled in China and seizures of methamphetamine in Myanmar and Thailand, 2014-2018\***



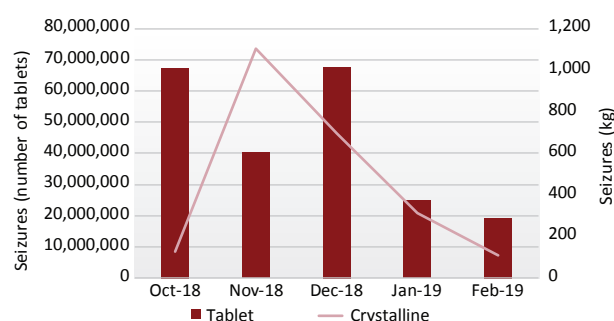
Note: \*2018 data for China cover the first nine months of the year.  
Sources: DAINAP; NNCC, "Precursor control in China", National Narcotics Control Commission of China, presented at the High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018; Official communication with ONCB, Thailand, January 2019; Official communication with CCDAC, Myanmar.

95 Estimates represent the high end of possible ranges.

Seizures of methamphetamine were by far the highest on record in 2018 with at least 120 tons seized during the year, a large proportion (53 per cent) of which was seized in Thailand (see figure 3). This underscores not only the significant flows of methamphetamine being trafficked from Myanmar across the border to Thailand, but also law enforcement measures against trafficking attempts along the Myanmar-Thailand border.

The Thai suppression campaign has caused traffickers to transport increasing quantities of methamphetamine eastward via Lao PDR to Viet Nam for subsequent transshipment to other markets. Another route is via direct maritime trafficking from Myanmar and the Andaman Sea to Malaysia, southern Thailand and other destinations. Latest data from Thai authorities support this projection. During the first two months of 2019, Thai authorities in the northern part of the country<sup>96</sup> near the border with Myanmar seized a total of 35 million methamphetamine tablets and 422 kg of crystalline methamphetamine – a substantial quantity but significantly lower than the amounts seized during the preceding three months (October–December 2018) when 174 million methamphetamine tablets and 1.9 tons of crystalline methamphetamine were seized.<sup>97</sup> In addition, Lao PDR authorities reported having seized 729 kg and 302 kg of crystalline methamphetamine in Xiang Khouang and Bokeo provinces respectively as a result of UNODC BLO operations in March 2019.<sup>98</sup>

**Figure 14: Seizures of tablet and crystalline methamphetamine in northern Thailand, October 2018–February 2019**



Source Official meeting with ONCB Region 5, Chiang Rai, Thailand March 2019.

<sup>96</sup> This includes the eight provinces of Chiang Rai, Chiang Mai, Lamphang, Lamphun, Phayao, Phrae, Nan and Mae Hong Son.

<sup>97</sup> Drug seizure statistics of the ONCB Region 5, October 2018 and February 2019, officially shared by ONCB with UNODC, March 2019.

<sup>98</sup> UNODC, “BLO success story”, April 2019; Official communication with BLO officers in Lao PDR, April 2019.

At the same time, criminal financiers from outside Myanmar may increase investments in illicit drug producing operations in the country to take advantage of the increasing demand in the region. In addition, transnational organized crime groups based in countries neighbouring Southeast Asia, such as Australian OMCGs and Japanese Yakuza, will likely source increasing amounts of methamphetamine from the Golden Triangle due to the competitive price of drugs manufactured there.

Regional connectivity initiatives will boost legitimate cross-border trade but will also continue to expand opportunities for drug traffickers to illicitly import precursor chemicals and export methamphetamine and other synthetic drugs. The government of Myanmar has announced it will prioritise the development of the Muse (Shan State of Myanmar) and Ruili (Yunnan Province of China) border economic cooperation zone.<sup>99</sup> The initiative will inevitably increase the workload of border officials responsible for inspecting cargo and will make the border area more vulnerable to the trafficking of precursor chemicals and finished products.

It is critical to closely monitor developments in the regional methamphetamine market and to develop strategic responses that involve precursor chemical control and drug demand reduction. Without such a strategy, transnational organized crime groups operating in the Golden Triangle will migrate production to other locations in the region in response to law enforcement measures to counter the trade, and they will target and continue to expand demand for the drug.

### Policy options and responding

Estimated at between US\$ 30.3 and US\$ 61.4 billion, methamphetamine trafficking is the most lucrative business for transnational organized crime groups in the region. These illicit proceeds are laundered through various channels, in particular the growing network of casinos in the region. Countries in the region should develop proper regulatory and enforcement frameworks to disrupt money laundering facilitated through casinos.

<sup>99</sup> Ministry of Information of Myanmar, “Muse-Ruili on priority as work on Sino-Myanmar border trade zone begin”, official press release, Accessed at <http://www.moi.gov.mm/moi:eng/?q=news/13/11/2018/id-15568>.

Despite steep increases in seizures of methamphetamine in Southeast Asia and neighbouring countries in recent years, prices of the drug have decreased in several countries, indicating that law enforcement measures should be accompanied by functional drug demand reduction, treatment and prevention programmes.

Given that transnational organized crime groups are diversifying the chemicals used for manufacturing methamphetamine, it is also important to support forensic drug laboratories and law enforcement authorities to improve their capacity to identify shifts in the illicit drug market. This will require support for regulatory officers to develop relevant knowledge and skills to better monitor and control flows of precursor chemicals to prevent their diversion, and also to manage their safe disposal. It will also require measures to improve the capacity of national authorities to better disrupt the diversion of chemicals at their source and increase interdiction capacity along major trafficking routes, especially at major checkpoints and border crossings, in order to facilitate backtracking investigations.

Stakeholders in the region should develop a strategy to encourage the chemical industry to proactively engage with competent authorities (e.g. reporting unusual transactions or requests for the production of unusual substances) and strengthen communication channels between the chemical and pharmaceutical industries and relevant national authorities. There should be increased focus to include a wider selection of chemicals used in drug production, particularly non-traditional, non-scheduled and overlooked chemicals and pharmaceutical products. In addition, the region should adopt appropriate measures to prevent trafficking of specialized equipment used in the manufacture of illicit drugs (e.g. glassware, tableting machines and punchers, chemical reactors, etc.).

A multilateral synthetic drug precursor policy and strategy is vital, and should engage not only with Southeast Asia, but also with neighbouring regions, including East Asia, South Asia, and Oceania, and North America. A broad coordinated and comprehensive response is essential as the large two-way trade of synthetic drugs and precursors from, within, and to the region, continues to grow.

It is evident that challenges posed by methamphetamine in Southeast Asia and neighbouring countries require a coordinated regional approach. Existing cooperation mechanisms in the region need to be engaged and supported, including the ASEAN Senior Officials on Drug Matters (ASOD) and the Mekong MOU on Drug Control.



## **Heroin and Related Precursor Chemicals**



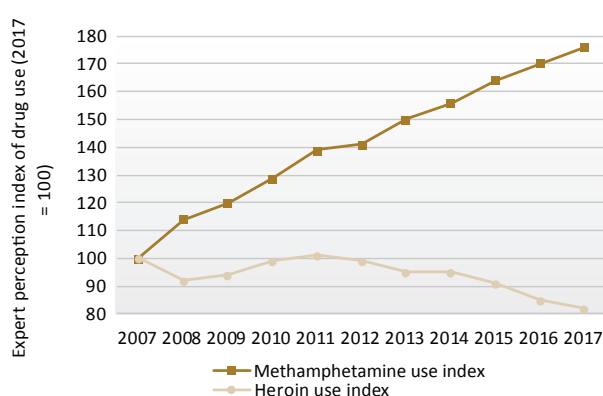


## Heroin and Related Precursor Chemicals

### Overview of the situation

Several indicators point to decreased demand for heroin in Southeast Asia and neighbouring regions over the past several years, occurring in parallel with decreases in the area under opium poppy cultivation in Myanmar. This is in contrast to the use of synthetic drugs, notably methamphetamine, which have significantly increased in the region over the last decade.

**Figure 1: Expert perception indices\* of heroin and methamphetamine use in East and Southeast Asia, 2007-2017**



Note: \*Based on information from 16 countries and territories reporting on trends in East and South-East Asia over the 2007-2017 period; 2007 was used as a base line (=100); for countries reporting a "strong increase" 2 points were allocated; for countries reporting "some increase" 1 point was allocated; for countries reporting "some decrease" 1 point was deducted and for countries reporting "large decrease" 2 points were deducted.

Source: UNODC, responses to the annual report questionnaire (ARQ).

In addition, available data indicate that marginal quantities of Afghanistan heroin have been trafficked into the regional heroin market in recent years. However, the illicit manufacture, trafficking and use of heroin remains a security and public health problem in Southeast Asia, in particular in the Mekong region, and heroin seizures in Myanmar, Thailand and Viet Nam increased in 2018. In addition, reported amounts of acetic anhydride, a key precursor chemical for heroin manufacture, seized in Myanmar and neighbouring countries are extremely small when compared with the estimated amount of opium used for the manufacture of heroin.

Based on available data for 2017, it is estimated that there are more than 3 million heroin users in East Asia, Southeast Asia and Oceania (Australia and New Zealand), and they consume about 66 tons of pure heroin annually, predominantly supplied from the Golden Triangle. The total value of retail sales of heroin in the region amounted to between 8.7 and 10.3 billion US\$ annually.

### Nature of the market

Opium poppy was introduced to the remote mountainous regions of today's northeastern Myanmar by traders from neighbouring Yunnan province of China, where opium poppy cultivation was prevalent in the mid-18th century.<sup>1</sup> By the beginning of the following century, opium was used by hill tribes for medicinal and recreational

1 Ronald D. Renard, "The Burmese Connection: Illegal Drugs and the Making of the Golden Triangle", Boulder, London, Lynne Rienner, 1996.



purposes and had also spread to some other parts of society, but it was still relatively uncommon. It wasn't until the development of the international opium trade in the 1820s that opium use and production reached problematic levels.<sup>2</sup> Over subsequent decades, the expansion of opium use and the rapid development of opium smuggling from Yunnan and Myanmar could no longer be ignored.<sup>3</sup>

The trade continued to grow as opium poppy cultivation further increased with the arrival of opium growers from Yunnan in the Kokang and the Wa areas in Myanmar. By the start of the 20th century, opium had become the dominant crop in the Kokang and the Wa regions and was spreading to adjacent areas.<sup>4</sup>

When colonial rule was extended to northern Myanmar, which included the main opium growing areas governed by Shan, Kachin and other groups, a system of 'indirect rule'<sup>5</sup> was granted to the traditional leaders of these areas, which were considered too remote – and dangerous – to be effectively controlled, in exchange for a formal acceptance of central government authority and the payment of an annual tribute.<sup>6</sup> By the 1950s, shortly after Myanmar gained independence, large scale opium poppy cultivation had taken hold and opium quickly became the most salient feature of these highland economies.

The refining of opium into heroin No. 4 developed on a large scale, and by the beginning of the 1970s about thirty heroin laboratories were reportedly operating – mostly under the control of autonomous local warlords – in areas of Shan State near the Thai border.<sup>7</sup> The trafficking of heroin No. 4 became

the major source of finance for armed insurgent groups in this region and for a number of other transnational criminal networks in Asia.

International attention on the production, trafficking and use of heroin in Southeast Asia has waned recently, owing to the fact that heroin trafficked from Southeast Asia is rarely reported in other regions compared with previous decades, but also due to the dramatic increase of methamphetamine trafficking in the region. However, several indicators suggest that the region's heroin market remains robust.

Heroin continues to be reported as the second most frequently trafficked drug in Southeast Asia, after methamphetamine. Malaysia reports that increasing quantities of heroin (as well as methamphetamine) are being trafficked into the country and transiting to other destinations.<sup>8</sup> Significant quantities of heroin produced in Myanmar are also trafficked outside of East and Southeast Asia, in particular to Australia. In Viet Nam, heroin remains the primary drug of concern, according to government data, although it appears to be changing in 2019.<sup>9</sup> Meanwhile, Thailand has reported several years of increasing heroin use, particularly among young drug users.<sup>10</sup>

The production and trafficking of heroin and its precursor chemicals in Southeast Asia and China remains a significant source of illicit revenues for transnational organized crime groups and presents law enforcement with considerable security challenges. The public health risks are also severe. The high levels of injecting drug use among heroin users and the high prevalence of HIV in several parts of East and Southeast Asia has been driven in large part by injecting drug use, primarily heroin use.

Supply-side indicators suggest a notable decrease in heroin production in Southeast Asia. The area of opium poppy cultivation in Myanmar increased from about 20,000 hectares (ha) in 2006 to just under 60,000 ha in 2014, but has since shown a sharp decline. In 2017, the total area of opium poppy cultivation in Myanmar amounted to 41,000

2 United Nations Preliminary Joint Survey Team, "Report of the Preliminary Joint Survey Team on Opium Production and Consumption in the Union of Burma," Thai-Yunnan Project Newsletter, no. 18: 8-16, Reprint 1992, Australian National University Research School of Pacific Studies, Canberra, originally published in 1964.

3 The United Nations Drug Control Programme (UNDCP), "Global Illicit Drug Trends 2001, Myanmar", United Nations Drug Control Programme, Vienna, June 2001.

4 Ronald D. Renard, "The Burmese Connection: Illegal Drugs and the Making of the Golden Triangle", Boulder, London, Lynne Rienner, 1996.

5 The British colonial administration also used the indirect rule system in other regions such as South Asia and West Africa.

6 United Nations Preliminary Joint Survey Team, "Report of the Preliminary Joint Survey Team on Opium Production and Consumption in the Union of Burma," Thai-Yunnan Project Newsletter, no. 18: 8-16, Reprint 1992, Australian National University Research School of Pacific Studies, Canberra, originally published in 1964.

7 Ronald D. Renard, "The Burmese Connection: Illegal Drugs and the Making of the Golden Triangle", Boulder, London, Lynne Rienner, 1996; UNDCP, "Global Illicit Drug Trends 2001, Myanmar", United Nations Drug Control Programme, Vienna, June 2001.

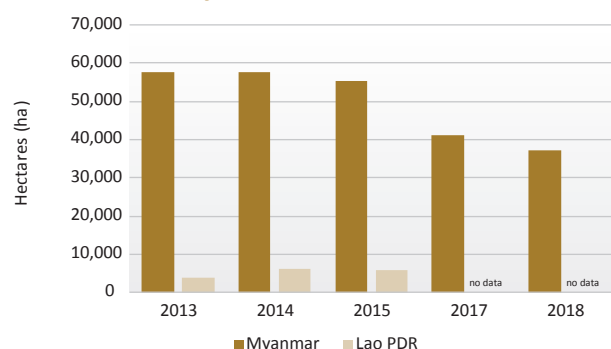
8 Malaysia Ministry of Home Affairs, "Malaysia country report on drug issues 2019", presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

9 Drug Abuse Information Network for Asia and the Pacific (DAIN-AP).

10 Office of Narcotics Control Board (ONCB), Thailand country briefing, presented at the 2<sup>nd</sup> Meeting of the AIPA Advisory Council on Dangerous Drugs (AIPACODD), Chiang Mai, Thailand, March 2019.

ha, a 25 per cent decrease from the 55,000 ha recorded in 2015. In 2018, this dropped a further 10 per cent to 37,300 ha. The majority of opium poppy continues to be cultivated in Shan State (90 per cent), followed by Kachin State (9 per cent), with negligible cultivation in Chin and Kayah States.<sup>11</sup>

**Figure 2: Estimated area under opium poppy cultivation in Myanmar and Lao PDR\*, 2013-2018**



Note: \*Data for 2016 are not available for Lao PDR and Myanmar, and 2017 and 2018 data are not available for Lao PDR.

Source: UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", January 2019.

Lao PDR also has sizeable areas with opium poppy cultivation in its northern regions, though it is estimated to be considerably smaller than in Myanmar. In 2015, the latest year for which UNODC data from Lao PDR are available, approximately 5,700 ha were under opium poppy cultivation in the country, and between 84 and 176 tons of raw opium were produced.<sup>12,13</sup>

Once known to have sizable areas of opium poppy cultivation, Thailand is no longer considered to be a source country for opiates as a result of successful alternative development programmes. Although poppy cultivation is ongoing in the country, particularly in its northern provinces, the area was estimated at only 300 ha in 2016 – 2017,<sup>14</sup> less than 1 per cent of that of Myanmar.

11 UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, January 2019.

12 UNODC, "Southeast Asia Opium Survey 2015: Lao PDR and Myanmar", December 2015.

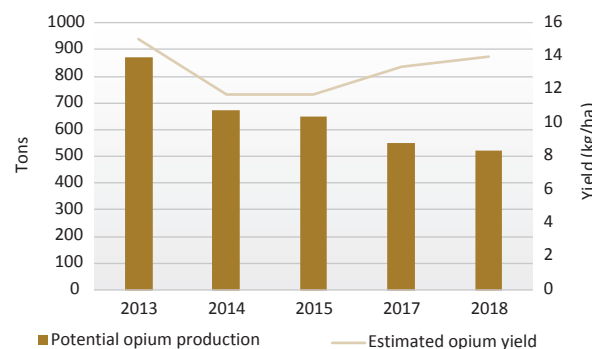
13 Due to the lack of data on the potential amount of opium produced in Lao PDR since 2016 when the last opium survey took place in the country, it is not possible to estimate the total quantity of heroin produced in Southeast Asia and supplied to the drug market in the region. It is known that opium is still produced in several parts of the country, and while it is consumed locally it is also trafficked for the purposes of processing. The lack of an opium survey in Lao PDR is a significant limitation that hinders full understanding of the regional opiate and heroin market.

14 ONCB, Situation of opium poppy cultivation in Thailand 2016/2017, February 2018.

For farmers, insecurity, lack of employment opportunities, income inequality, and lack of infrastructure (access to markets, availability of clinics) are the key conditions associated with the cultivation of opium poppy in Myanmar, according to the most recent UNODC socio-economic survey.<sup>15</sup>

With an average yield of 14 kg per ha in 2018, total opium production dropped from 550 tons in 2017 to 520 tons.<sup>16</sup> Between 2015 and 2018, farm-gate prices of fresh and dry opium have decreased by 34 and 45 per cent respectively. Declining prices considered together with a reduction in the supply of opium and heroin are a possible indication of decreased demand for opiates from Myanmar.<sup>17</sup>

**Figure 3: Potential opium production in Myanmar and estimated opium yield, 2013-2018**



Note: Data for 2016 are unavailable.

Sources: UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", January 2019 and previous years.

A large majority of the heroin produced in Myanmar is destined for neighbouring China, which remains one of the largest illicit heroin markets. However, the registered number of heroin users has been in decline while the number of registered synthetic drug users in the country continues to rise.<sup>18</sup> Of the more than 2.5 million registered drug users in China in 2017, some 970,000 are reported as opiate users, accounting for 38 per cent of all drug users (compared with approximately 1.5 million registered synthetic drug users, or 60.2 per cent of all users).<sup>19</sup> A large number of heroin users in

15 UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, January 2019.

16 Ibid; UNODC, "Myanmar opium cultivation continues to drop as regional drug market changes", 11 January 2019.

17 UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, January 2019.

18 NNCC of China, China country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018; UNODC, Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment, April 2013.

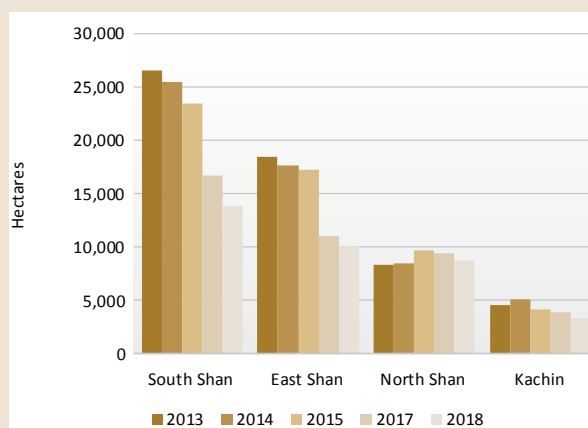
19 NNCC of China, China country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

## Opium poppy cultivation and conflicts in Myanmar

The area under opium poppy cultivation in Shan and Kachin States, the two main opium poppy producing regions in Myanmar, has shown a downward trend in recent years. The estimated area under cultivation in 2018 of 37,300 ha represents nearly a 40 per cent decrease compared with the 2013 figure (57,800 ha). The largest decrease during this period was observed in South Shan, from 26,600 ha to 13,900 ha, marking a 48 per cent decrease. East Shan also has shown a similar trend, with a 45 per cent decrease from 18,400 to 10,100 ha. However, opium poppy cultivation in areas of sustained armed conflict, such as Kachin and North Shan, has remained relatively stable. The only area which has shown an increasing trend of opium poppy cultivation over the past five years has been North Shan,

where the largest number conflicts have been reported during the same period.

**Figure 4: Trends in opium poppy cultivation in South, East, North Shan and Kachin States, 2013-2018**



Note: Data for 2016 are not available.

Sources: UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", January 2019 and previous years.

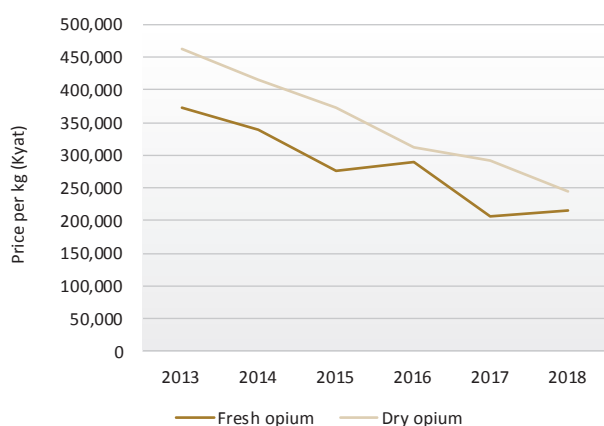
**Table 1: Number of reported conflicts in South, East, North Shan and Kachin states, 2013-2018**

	2013	2014	2015	2017	2018	Total
South Shan	26	11	22	11	15	59
East Shan	2	2	0	0	0	2
North Shan	99	147	258	170	69	644
Kachin	34	42	87	30	31	190

Source: Myanmar Institute for Peace and Security. Accessed at <http://www.myhistro.com/stories/info.mmpeacemonitor>.

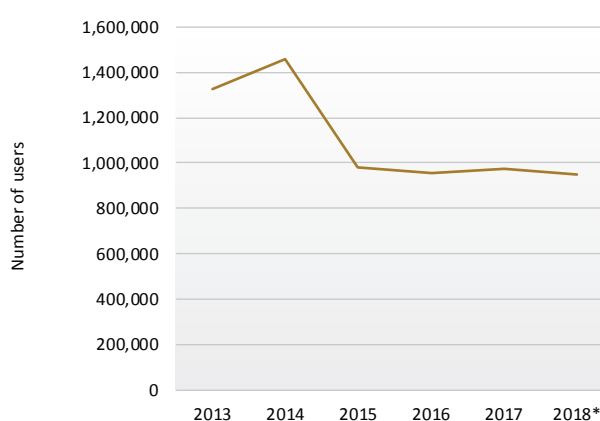
China inject the drug, constituting what may be the world's single largest population of people who inject drugs (PWID).

**Figure 5: Prices of fresh and dry opium in Myanmar, in Myanmar Kyat, 2013-2018**



Note: As of 3 April 2019, 1 Myanmar Kyat = 0.00066 US Dollar. Prices were adjusted for inflation on the base of the Consumer Price Index provided by the World Bank (base 2010 = 100). The Consumer Price Index for 2018 was linearly extrapolated from the 2002–2017 series. Sources: UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", January 2019, and previous years.

**Figure 6: Registered heroin and other opiate users in mainland China, 2013-2018\***



Note: \*Data cover the first half of the year.

Sources: NNCC of China, Annual Report on Drug Control in China for 2017 and previous years; NNCC, "Latest situation of synthetic drugs in China", presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

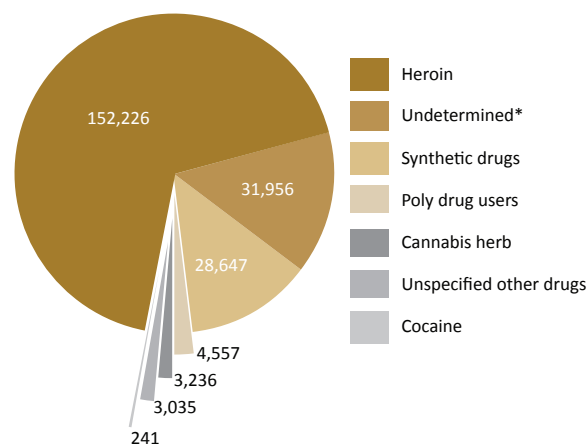
Myanmar also has a large PWID population, estimated at approximately 83,000 in 2017, and heroin is reported as the most commonly injected drug. Of the 7,536 drug users admitted to treatment in Myanmar in 2017, 79 per cent, or 5,936 persons, were heroin users.<sup>20</sup> In Viet Nam, heroin users continue to account for a large majority of registered drug users annually.<sup>21</sup> Thailand reports that heroin use has increased for four consecutive years, from 2014 through 2017, and that the cheaper price of the drug and increasing use among the youth population are of particular concern.<sup>22</sup>

Data indicate declining heroin use in Malaysia, with 10,154 reported opiates users brought into formal contact with authorities in 2017 (compared with 16,985 users in 2016).<sup>23</sup> However, data from the Malaysia Ministry of Health indicate an estimated 75,000 PWIDs in the country in 2018 (compared with 170,000 PWID in 2009),<sup>24</sup> a large share of which likely use heroin. Singapore also has reported a decline in its number of heroin users brought into formal contact with authorities, from 1,041 users in 2016 to 848 users in 2017.<sup>25</sup> Heroin use is negligible in Brunei Darussalam, Indonesia and the Philippines.

The most recent Australia national wastewater drug monitoring program estimates that Australians consumed some 750 kg of heroin annually.<sup>26</sup> Drug profiling of border and domestic heroin seizures in Australia indicates the majority of heroin in the country originates from Southeast Asia.<sup>27</sup> Heroin use in Australia, however, has remained relatively stable in recent years. According to the 2016 National Drug Strategy Household Survey (NDSHS), the proportion of the Australian population aged 14 years or older who reported having used heroin

at least once in their lifetime increased slightly, from 1.2 per cent in 2013 to 1.3 per cent in 2016. The proportion reporting recent<sup>28</sup> heroin use also increased, from 0.1 per cent in 2013 to 0.2 per cent in 2016 though heroin use levels continue to be clearly below the peak reached in 1998 (0.8 per cent).<sup>29</sup>

**Figure 7: Registered drug users in Viet Nam by drug type, 2018 (June)**



Note: \*Viet Nam's Standing Office on Drugs and Crime (SODC) has noted that users in the "undetermined" category did not inform authorities what drug they were using. SODC has informed UNODC that a large portion of them were either users of methamphetamine or New Psychoactive Substances (NPS).

Source: SODC, Viet Nam country briefing, presented at the 2018 Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

### Golden Triangle heroin flows to Southeast Asia, East Asia and Oceania

Almost all of the heroin seizures in Southeast Asia are made in the countries of the Mekong region<sup>30</sup> and Malaysia. Smaller quantities are seized each year in Singapore.<sup>31</sup> Earlier in the decade, approximately one third of the combined heroin market in Southeast Asia was supplied from heroin imported from Afghanistan,<sup>32</sup> but today it is almost exclusively supplied by heroin produced in the Shan and Kachin States of Myanmar.<sup>33</sup>

20 CCDAC of Myanmar, Myanmar country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

21 SODC, Viet Nam country briefing, Standing Office on Drugs and Crime of Viet Nam, presented at the 2018 Global SMART Regional Workshop, Chiang Rai, Thailand, August 2018.

22 DAINAP; ONCB, Thailand country briefing, presented at the 2<sup>nd</sup> Meeting of the AIPA Advisory Council on Dangerous Drugs (AIPA-CODD), Chiang Mai, Thailand, March 2019.

23 Refers to those in treatment, contact with law enforcement and public health agencies. National Anti-Drugs Agency and Royal Malaysia Police, Malaysia country report, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

24 Ministry of Health, Malaysia, "Size Estimations of Key Populations, Malaysia 2018", Disease Control Division, undated.

25 Central Narcotics Bureau (CNB) of Singapore, Singapore country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

26 Australian Criminal Intelligence Commission (ACIC), "National Wastewater Drug Monitoring Program", presented at the 24<sup>th</sup> Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

27 ACIC, "Illicit Drug Data Report 2016-17", Canberra, 2018.

28 In the NDSHS, recent use refers to reported use in the 12 months preceding interview.

29 Australian Institute of Health and Welfare (AIHW), "National Drug Strategy Household Survey 2017: detailed findings", Drug Statistics series no. 31, Australian Institute of Health and Welfare, Canberra (2018 and previous years).

30 The Mekong region consists of Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and China.

31 UNODC responses ARQ from countries in Southeast Asia for 2017 and previous years; DAINAP.

32 UNODC, "Transnational Organized Crime in East and Southeast Asia: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

33 Small amounts of opium poppy continue to be cultivated in Lao PDR and Thailand, but most of this appears to be consumed locally in the form of opium.



**Map 1: Major heroin trafficking routes in the Mekong region, 2016-2018**

Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources of production or manufacture, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC elaboration based on information obtained from the Mekong Drugs and Precursor Trafficking Route Analysis workshop, Ho Chi Minh, Viet Nam, April 2018.

The most important heroin trafficking routes originate in production areas of northern Myanmar and run directly across the border to China or indirectly to China through northern Lao PDR and Viet Nam. Viet Nam is also the primary destination for heroin trafficking in Southeast Asia, accounting for approximately 36 per cent of all heroin seized in Southeast Asia from 2013 through 2018.<sup>34</sup> Another well-established route originates in

the Golden Triangle region and runs across the border into northern Thailand, with a significant amount of heroin trafficked through Thailand and onward to Malaysia and Singapore. Many of the heroin consignments seized along these routes are also seized along with large quantities of methamphetamine and other synthetic drugs, including ketamine.<sup>35</sup>

34 DAINAP.

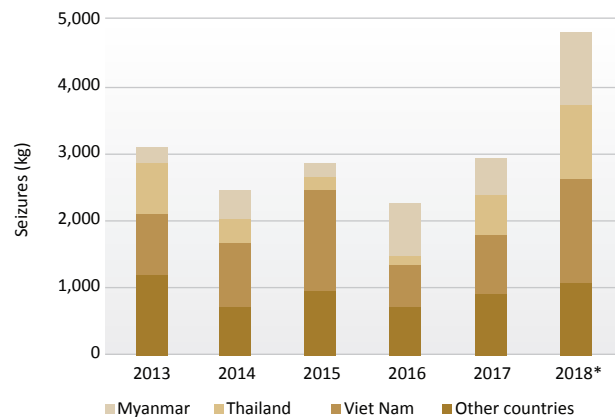
35 CCDAC, Myanmar country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

Total heroin seizures in China have shown an overall stable trend since 2014, when 9.3 tons of heroin was seized in the country, compared with 9.5 tons seized in 2017, the latest year for which data are available. Significant quantities continue to be seized in the regions near Myanmar. In 2017, Chinese authorities seized 6.8 tons of heroin (and 10 tons of methamphetamine tablets) in Yunnan and Guangxi provinces, adjacent to the Golden Triangle, representing more than 70 per cent of the total amount of heroin seized in China during the year.<sup>36</sup>

In addition to being a key destination market for heroin produced in Myanmar, China is also an important transit country for other heroin markets. Most of the heroin trafficked into Hong Kong, China, originates from Myanmar and is trafficked into the territory through China's Guangxi province as well as through Viet Nam. Drug trafficking networks in Hong Kong, China, are reported to import heroin from Myanmar in block form before they cut and turn it into powder for street-level distribution.<sup>37</sup> In addition, in April 2018, authorities in Brazil seized 100 kg of heroin in an air cargo consignment delivered from Beijing, China to Rio de Janeiro.<sup>38</sup>

While seizures of heroin in China have been stable, seizures of heroin in some parts of Southeast Asia have shown a rising trend since 2016. In particular, heroin seizures in Myanmar, Thailand and Viet Nam spiked in 2018 in comparison with previous years, amounting to almost 3.8 tons combined. This represents a more than 81 per cent increase compared with the 2.1 tons seized in the three countries in 2017 and a 95 per cent increase from the 1.9 tons seized in 2013.<sup>39</sup> Seizures of heroin in the three countries in 2018 accounted for nearly 80 per cent of the total amount seized in Southeast Asia.

**Figure 8: Seizures of heroin in Southeast Asia, 2013-2018\***



Source: DAINAP.

In January 2018, Myanmar law enforcement authorities seized 502 kg of heroin along with 30 million methamphetamine tablets, 1.75 tons of crystalline methamphetamine, and 200 kg of caffeine from a house in Kutkai Township of Shan State.<sup>40</sup> Smaller consignments of heroin and methamphetamine have been seized from private vehicles, including a seizure of some 10.9 kg of heroin and 216,000 methamphetamine tablets from a 12-wheel cargo truck in April 2018 in Hpakant Township of Kachin State.<sup>41</sup> In January 2019, some 41.8 kg of heroin and 158,000 methamphetamine tablets were seized from a truck travelling from Lashio, in Shan State, to Mandalay.<sup>42</sup>

Authorities in Viet Nam reported significant seizures of Myanmar heroin in combination with methamphetamine trafficked overland to Viet Nam through northern Lao PDR. In May 2018, Vietnamese customs officials seized 218 'bars' of heroin weighing approximately 76.3 kg in total along with 30 kg of crystalline methamphetamine and 100,000 tablets of synthetic drugs (likely to be methamphetamine) at the land border with Lao PDR and arrested 19 suspects.<sup>43</sup> Authorities in Dien Bien province, adjacent to Lao PDR, reported several significant heroin seizures in 2018, some of which were made in combination with the seizure

36 NNCC, China country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

37 Hong Kong Police Force, "Narcotics Bureau Territory Report 2018", presented at the 28<sup>th</sup> Anti-Drug Liaison Officials' Meeting for International Cooperation (ADLOMICO), Busan, Republic of Korea, September 2018.

38 Korean Customs Service (KCS) and Regional Intelligence Liaison Offices for Asia and the Pacific (RILO-AP), "Operation CATalyst 2: Joint Enforcement Operation against NPS", presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

39 DAINAP.

40 CCDAC, Myanmar country briefing, Myanmar Central Committee for Drug Abuse Control, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

41 Ibid.

42 CCDAC, Myanmar country briefing, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

43 Viet Nam Customs, Viet Nam country briefing, presented at the 30th Administrative Meeting for National Contact Points of RILO-AP, Solo, Indonesia, September 2018.

of several hundred thousand methamphetamine tablets. Arrested suspects include Vietnamese nationals and Lao nationals living in Viet Nam.<sup>44</sup>

Although authorities in Thailand have reported increasing heroin use,<sup>45</sup> the country's role in the heroin trade is primarily as a transit route to markets in East and Southeast Asia and Australia. Most of the large shipments of heroin seized in Thailand continue to be detected in the northern regions, near production areas in Myanmar. The amount of heroin seized in Thailand declined, from about 750 kg in 2013 to roughly 148 kg in 2016, but then increased sharply to nearly 600 kg in 2017 and 1.1 tons in 2018.<sup>46</sup> Data from Thailand's Airport Interdiction Taskforce indicate no major seizures of heroin at Thailand's airports in 2017 and 2018, confirming most of the heroin trafficked through Thailand to other markets is being transported overland to Malaysia or in sea cargo consignments to other destinations.

Forensic analysis and profiling of heroin seized at the border of Australia and investigated by the Australian Federal Police indicate that the heroin market in the country has been predominantly supplied by heroin originating from Southeast Asia, accounting for nearly all of the heroin detected in the country in the past couple of years. In 2016, only a single item, weighing less than one gram, was reported to have originated from Southwest Asia (e.g. Afghanistan). Data from the first six months of 2017 indicate a continuation of this trend.<sup>47</sup> Heroin trafficked from Myanmar to Australia usually transits through one or more countries before arriving in Australia, and large quantities of the drug have been trafficked through countries in Southeast Asia. For instance, Malaysia was reported as the top embarkation and transit point, accounting for 53 per cent (by weight) of all heroin seized in the country in 2017.<sup>48</sup> Lao PDR, Thailand, Cambodia, and Viet Nam have also been reported as major embarkation points for heroin seized in Australia in recent years.<sup>49</sup>

44 SODC, Viet Nam country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

45 DAINAP; According to Government experts' perception, heroin use has increased since 2014. This is consistent with the increasing number of people admitted for heroin use at treatment facilities in the country.

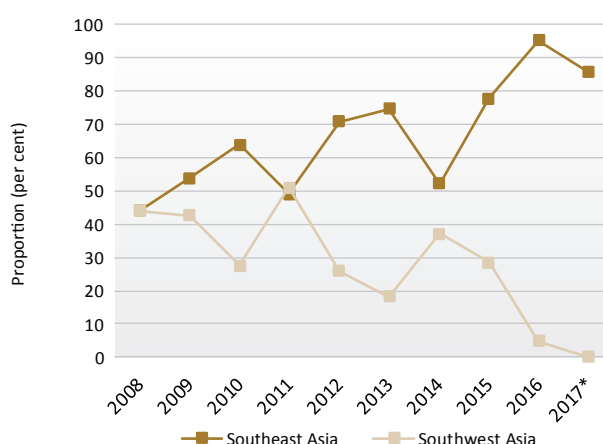
46 DAINAP; ONCB, Thailand country briefing, presented at the 2018 Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

47 ACIC, "Illicit Drug Data Report 2016-17", Canberra, 2018.

48 UNODC ARQ Australia for 2017.

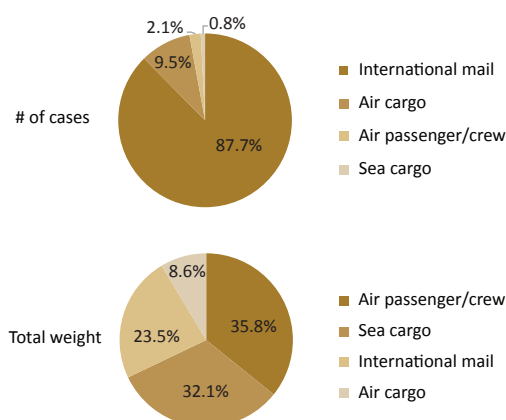
49 ACIC, "Illicit Drug Data Report 2016-17", Canberra, 2018.

**Figure 9: Geographical origin of heroin samples as a proportion of analysed Australian Federal Police border seizures, 2008-2017\***



Note: \*Data cover the first half of 2017. Excluding 2011, the sum of figures for any given year is not 100 per cent, as it only includes data fully classified as either Southeast Asian heroin or Southwest Asian heroin. In addition, data do not include those from South America. Source: AFP, Forensic Drug Intelligence, quoted in ACIC, "Illicit Drug Data Report" 2016-17, Canberra, July 2018.

**Figure 10: Methods of heroin importation to Australia, 2016 (Aug)-2017 (Jul)**



Source: ACIC, "Illicit Drug Data Report 2016-17", Canberra, 2018.

Most of the Afghan heroin found in East and Southeast Asia is seized in the far western regions of China and in Malaysia. In 2017, China reported seizing 101.8 kg of heroin in 25 cases originating from the 'Golden Crescent',<sup>50</sup> representing a more than three-fold increase from the 24 kg seized in 22 cases in 2016, but still lower than the 146 kg seized from 38 cases in 2015.<sup>51</sup> Based on 2017 data, seizures of Afghanistan heroin in China accounted

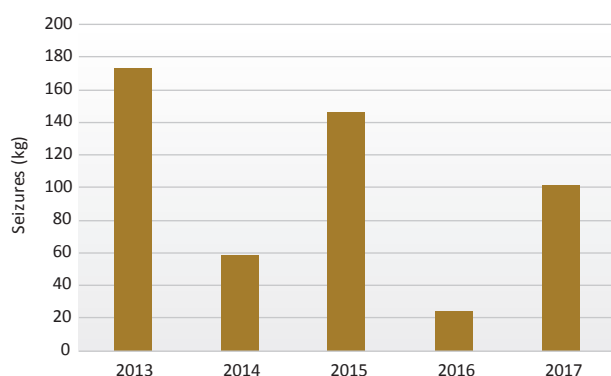
50 The Golden Crescent refers primarily to Afghanistan but also includes the illicit opium producing areas of Pakistan and the Islamic Republic of Iran.

51 NNCC, China country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.



for only 1.4 per cent of the total heroin seized in the country. Seizure data indicate that most Afghanistan heroin destined for China is trafficked by air, often from Pakistan transiting the Middle East or East Africa before entering China.<sup>52</sup>

**Figure 11: Seizures of heroin trafficked from the Golden Crescent in China, 2013-2017**



Source: NNCC, China country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

Seizures of heroin in East and Southeast Asia in 2017 amounted to more than 13 tons, the largest amount over the last decade, showing an opposite trend with other ‘supply’ as well as ‘demand’ indicators, such as decreases in both the potential amount of opium for heroin and the expert perception on heroin use (see figure 1 and 3). This could be due to several factors, including better law enforcement in East and Southeast Asia and changes in the average purity of the drug found in the region. In fact, the average purity of heroin at the retail (street) level in China decreased from 41 per cent to 35 per cent between 2013 and 2017.<sup>53</sup> Also, the average retail purity of heroin in Australia decreased from 33 per cent to 21 per cent during the same period.<sup>54</sup> This may indicate that organized crime groups have been supplying inferior quality heroin to compensate for decreases in the availability of heroin from the Golden Triangle.

### Trafficking of precursor chemicals for heroin production in Myanmar

The manufacture of heroin requires large quantities of acetic anhydride and other precursor chemicals which are not manufactured in Myanmar. Acetic

anhydride is a widely traded chemical that has a number of uses in legitimate industry including for film processing and the manufacture of plastics, pharmaceuticals, and other industrial chemicals. But it is also a key precursor and is included in Table I of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.<sup>55</sup> Acetic anhydride is also used in certain 1-phenyl-2-propanone (P-2-P) based methods used in the illicit manufacture of methamphetamine.<sup>56</sup>

In 2017, a total of 20 countries reported seizures of acetic anhydride to the International Narcotics Control Board (INCB), amounting to nearly 127,000 litres. The largest amount was reported by Afghanistan (37,700 litres), followed by Turkey (23,200 litres) and the Islamic Republic of Iran (20,300 litres), while the countries reporting seizures of more than 5,000 litres were Japan, Pakistan, Bulgaria, Mexico and the Netherlands.<sup>57</sup> Japan’s total derives from a single seizure reported by the government of 7,647 litres of acetic anhydride from within the country. The only previous acetic anhydride seizures reported by Japan were in 2009, when a total of 8,424 litres were seized in four cases.<sup>58</sup>

The only significant seizures of acetic anhydride reported from Southeast Asia in recent years have been made in Myanmar. Between 2013 and 2018, Myanmar authorities seized about 3,000 litres, all of which were made areas along the border with China.<sup>59</sup>

There are indications that some acetic anhydride is being trafficked from Taiwan Province of China for the manufacture of heroin produced from Afghanistan opium. Although Taiwan Province of China is not a major source for acetic anhydride

55 International Narcotics Control Board (INCB), “Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances 2018”, Vienna, March 2019.

56 Ibid.

57 Ibid.

58 At least one of the trafficking attempts had been facilitated by a national of a West Asian country living in Japan. The shipment was destined for the United Arab Emirates. INCB, “Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances 2018”, International Narcotics Control Board, Vienna, March 2019.

59 CCDAC, Myanmar country briefing, High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018; and CCDAC Myanmar country briefing, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

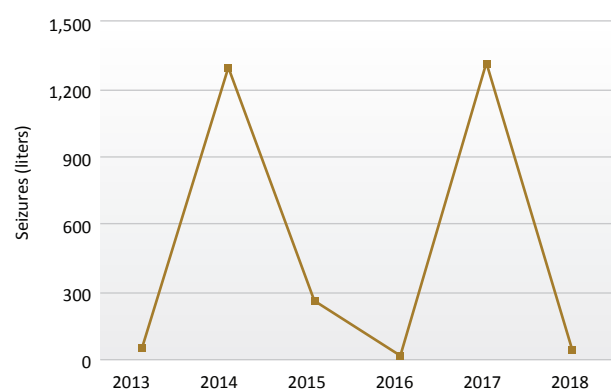
52 Ibid.

53 UNODC ARQ 2013 and 2017 for China.

54 UNODC ARQ 2013 and 2017 for Australia.

found in Afghanistan, this trend may have implications for Southeast Asia, given the increasing prominence of Taiwanese drug syndicates involved in methamphetamine trafficking in several countries in Southeast Asia.<sup>60</sup>

**Figure 12: Seizures of acetic anhydride (AA) in Myanmar, 2013-2018**



Sources: CCDAC, Myanmar country briefing, High-level Regional Precursor Conference, Nay Pyi Taw, Myanmar, November 2018; and CCDAC, Myanmar country presentation, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

It is estimated that between 100 and 250 litres of acetic anhydride are required to manufacture 100 kg of heroin chloride.<sup>61</sup> However, the reported amounts of acetic anhydride seized in Myanmar are extremely small when compared with the estimated amount of opium used for the manufacture of heroin at an annual level. For instance, UNODC estimates that about 392 tons of opium were potentially used for heroin production in 2018 after subtracting seizures of opium and the amount used for direct consumption. Processing this amount of opium into heroin would have required between 39,000 and 98,000 litres of acetic anhydride.<sup>62</sup> However, only 40 litres was seized in the country in 2018,<sup>63</sup> underscoring the low precursor detection rate.

60 In October 2017, a total of 15,160 litres of acetic anhydride was seized en route from Taiwan Province of China to the Islamic Republic of Iran. RILO WCO, "Analysis Report" World Customs Organization Regional Intelligence Liaison Office for Asia and the Pacific, Issue No. 45, Seoul, June 2018.

61 INCB, "Precursors and chemicals frequently used in the illicit manufacture of narcotic drugs and psychotropic substances 2018", International Narcotics Control Board, Vienna, March 2019.

62 The range is calculated based on the amount of potential opium produced and the ratio for converting opium into heroin with acetic anhydride. It does not include the estimated amount of opium directly consumed.

63 CCDAC, Myanmar country briefing, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

## Profiles of major trafficking groups and their methods and means

Heroin trafficking in Southeast Asia appears to predominantly involve drug trafficking groups from Myanmar, China and Thailand. Most major methamphetamine trafficking groups in Myanmar also seem to be involved to some extent in heroin trafficking, including several ethnic armed groups and militias in Kachin and Shan States, and transnational organized crime groups.<sup>64</sup>

In February and March 2018, Myanmar authorities dismantled six large-scale drug manufacturing facilities ('refineries') in Kutkai Township of Shan State, near the China border. In addition to heroin, opium and acetic anhydride, various other drugs, precursor chemicals and equipment were seized from the facilities including approximately 2.35 tons of ketamine, 259 kg of crystalline methamphetamine, 1.2 million methamphetamine tablets, 139 kg of ephedrine, 10 tons of caffeine, 203 tons of several other precursor chemicals<sup>65</sup> and two methamphetamine tablet pressing machines.<sup>66</sup> Heroin manufacturing facilities dismantled in previous years include two facilities in 2016 and two facilities in 2013. Between 1990 and 2010, a total of 180 clandestine heroin manufacturing facilities were seized, primarily in Shan State.<sup>67</sup>

In northern Thailand, ethnic Hmong, Thai Lue, and Haw Chinese are among the major groups that traffic heroin and methamphetamine into the country from neighbouring Shan State and through Lao PDR. Ethnic Akha and Lahu groups are also reported to be involved on a smaller scale. The drugs are smuggled into Thailand using a variety of methods including small groups of couriers that walk along jungle tracks, and by pick-up trucks and motorcycles. The drugs are usually stored in safe spots in Thailand near the border before being trafficked further into Thailand by Thai distributors, with the consignments concealed in specially constructed compartments in motor vehicles or hidden in furniture or consumer goods. There are indications that trafficking by ethnic highland groups is decreasing while lowland Thais have become more active in recent years.<sup>68</sup>

64 ONCB, "Drug production areas", Chiang Rai, Thailand, April 2019.

65 Including hydrochloric acid, sulphuric acid, hydrogen peroxide, chloroform and ethyl-ether.

66 CCDAC, Myanmar country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

67 Ibid.

68 ONCB, "Summary of the drug situation in northern Thailand" (in Thai), Drug Intelligence Analysis and Surveillance Division, January 2019.

### Trafficking of synthetic opioids, including fentanyl and its analogues<sup>69</sup>

In addition to heroin and opium, the non-medical use of opioids, both medicines and new psychoactive substances (NPS) with opioid effects, is a growing concern for public health, safety and law enforcement authorities worldwide. Several of these synthetic opioids, some of which are not under international control, are highly potent. Users are often not aware of what they are taking – and some have been implicated in overdose deaths outside the region. While the synthetic opioid crisis is currently most visible in North America, parts of Africa and the Middle East, the emergence of NPS with opioid effects has also been reported from some countries in East and Southeast Asia, particularly in China and Japan. The number of synthetic opioids reported to the UNODC Early Warning Advisory on NPS by countries in the region has risen from only three substances in 2013 to 19 substances in 2018.<sup>70</sup>

The use of synthetic opioids in East and Southeast Asia is not yet a major concern. However, the region has been frequently reported as a source for synthetic opioids found in other parts of the world. For instance, criminal networks in China have been involved in trafficking of fentanyl and its analogues to the United States largely through mail and express consignments in recent years.<sup>71</sup> There are also indications that criminals are using some Southeast Asian countries to traffic synthetic opioids to markets in North America. In January 2018, Canadian authorities seized a shipment of fentanyl from Thailand, exported via an express postal service, representing the first fentanyl seizure reported in connection with Thailand.<sup>72</sup>

Seizures of synthetic opioids in Southeast Asia are limited compared to seizures in other parts of the world. In recent years, Singapore's authorities have detected a small number of synthetic opioids including fentanyl, presented as brown tablets with the marks 'F1' and 'KK', and furanyl fentanyl and U-47700, presented as a white powder.<sup>73</sup> Seizures of fentanyl and its analogues also remain limited in Australia (less than 1 kg) but have shown an increasing trend in recent years. The small quantities of fentanyl and its analogues seized in Australia from 2013 through 2017 include fentanyl, carfentanil, acetyl fentanyl, furanylfentanyl, ocfeentanil, butyryl fentanyl and methoxyacetylfentanyl.<sup>74</sup> Data from Australia's national wastewater drug monitoring program confirm that the use of fentanyl and oxycodone has increased in the country in recent years.<sup>75</sup> However, it is not clear whether increased use of these synthetic opioids has been related to medical or non-medical use.

**Table 2: Fentanyl and its analogues seized in Australia, 2013-2017**

	2013	2014	2015	2016	2017
Weight (grams)	1	15.1	8.2	24.8	737.4
Number of seizures	2	13	7	11	12

Source: AFP, Australia country presentation, Australia Federal Police, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

To date, the number of detections of synthetic opioids remains limited in Southeast Asia, and there is significantly limited information on the use of illicit drugs, including synthetic opioids, in the region. However, a number of factors indicate that the regional market for synthetic opioids could be developed, including the persistent and considerable demand for traditional opiates such as heroin and an expanding market for NPS. It is no coincidence that the only reported detections of fentanyl and its analogues in the region have been made by countries with comparatively advanced forensic capacity.

There is also the risk that traffickers in Southeast Asia might substitute heroin with synthetic opioids or adulterate the heroin supply with synthetic opioids to maximize profits. Moreover, because synthetic opioids can be produced and shipped easily they are an attractive commodity for profit-driven trafficking groups.<sup>76</sup> Given the limited forensic capacity of several countries in the region to identify these substances, such a development could go underreported.

69 As the pharmacological effects of synthetic opioids are similar to opiates, discussions around fentanyl and its analogues are included in this chapter.

70 UNODC, "Synthetic Drugs in East and Southeast Asia: Trends and Patterns of Amphetamine-type Stimulants and New Psychoactive Substances", March 2019.

71 US Department of Justice, Drug Enforcement Administration (DEA), "2018 National Drug Threat Assessment", October 2018.

72 Bilateral meeting with the Canada Border Service Agency in October 2018.

73 CNB, Singapore country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

74 AFP, Australia country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

75 ACIC, "National Wastewater Drug Monitoring Program", Australian Criminal Intelligence Commission, presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

76 Prado et al., "Contemporary Asian Drug Policy: Insights and Opportunities for Change", RAND corporation, 2019.

In addition, the use of domestic mail services to send heroin and methamphetamine tablets from northern Thailand to other parts of the country has been a concern for several years. In December 2018, Thai authorities seized a parcel sent from the border town of Mae Ai in Chiang Mai province containing almost 100,000 methamphetamine tablets and 700 grams of heroin.

Most of the heroin seized in Malaysia is trafficked from Myanmar overland through Thailand and by sea cargo from Myanmar. Some of the imported high-purity heroin trafficked to the country is cut with adulterants at clandestine laboratories. During the first half of 2018, Malaysian authorities dismantled nine related facilities.<sup>77</sup>

Many of the groups in Malaysia involved in trafficking different types of drugs are coordinating with networks in Thailand and Myanmar to import heroin and methamphetamine.<sup>78</sup> In December 2018, Malaysian authorities arrested four Malaysian suspects and seized 20.4 kg of heroin along with 679 kg of methamphetamine, 4,000 Erimin 5 (nimetazepam) tablets and more than 186 kg of various chemicals and powders used in the illicit manufacture of drugs.<sup>79</sup>

Malaysian traffickers also coordinate with nationals of countries in South Asia to traffic drugs and precursors into the country. In June 2018, Malaysian authorities arrested seven Malaysians and one Bangladeshi national and seized 31.7 kg of heroin, 1 kg of heroin base, 84 kg of concentrated caffeine used for the manufacture of tablet methamphetamine, and smaller quantities (less than 1 kg) of ketamine.<sup>80</sup> In addition, the number of arrests in Malaysia related to heroin continues at high levels. In 2017, a total of 31,533 persons were arrested for heroin-related offenses in 24,206 cases, and in the first six months of 2018 some 14,300 persons were arrested in 10,889 cases.<sup>81</sup>

77 National Anti-Drugs Agency and Royal Malaysia Police, Malaysia country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

78 Malaysia Ministry of Home Affairs, "Malaysia country report on drug issues 2019", presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

79 Royal Malaysian Police (RMP), "Malaysia Drug Situation", presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

80 Ibid.

81 National Anti-Drugs Agency (NADA) and RMP, Malaysia country briefing, presented at the Global SMART Programme Regional Workshop, Chiang Rai, Thailand, August 2018.

Drug trafficking networks based in Pakistan are involved in the large-scale smuggling of heroin into Malaysia.<sup>82</sup>

Some South Asian nationals are also involved in the trafficking of Golden Triangle heroin from Thailand to other markets. In June 2018, authorities at Chiang Mai International Airport arrested a Nepalese national for attempting to smuggle 40 bars of heroin manufactured in Myanmar weighing a combined 15.5 kg that was concealed in his luggage. However, the destination of the consignment was unclear.<sup>83</sup>

### Market size estimate

Accurately measuring the volume and value of heroin flows in Southeast Asia is a complex endeavour for several reasons. Key challenges include the lack of information on manufacturing trends, wide variance in the quality and quantity of trafficking route data, and disagreements among countries about the location and scale of drug trafficking routes. However, a number of indicators related to supply and demand in some countries are available.

UNODC analysed the size of the retail heroin markets in East and Southeast Asia, Australia, and New Zealand, as these markets have been predominantly supplied by heroin manufactured and trafficked from Southeast Asia.

Producing an estimate of total heroin demand in East and Southeast Asia requires taking the estimated number of users and multiplying this by the estimated amount consumed by each user annually. These figures can be further verified with local retail price data.<sup>84</sup> Per user consumption estimates can also be compared to the available information related to heroin consumption patterns in other markets.

The estimated number of heroin users in East and Southeast Asia, Australia, and New Zealand is calculated with data for the number of the total population aged between 15-64 years and the latest

82 Malaysia Ministry of Home Affairs, "Malaysia country report on drug issues 2019", presented at the 24th Asia-Pacific Operational Drug Enforcement Conference, Tokyo, February 2019.

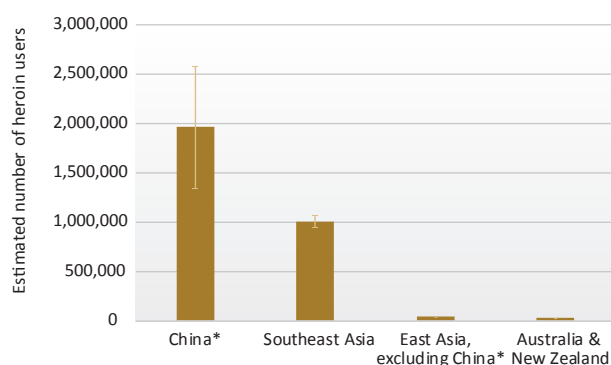
83 ONCB, "Summary of the drug situation in northern Thailand" (in Thai), Drug Intelligence Analysis and Surveillance Division, January 2019.

84 If the per user expenditure estimates were found to be unreasonable, this would likely indicate a flawed demand estimate.

available heroin prevalence data for countries in the region. In total, there were slightly more than 3 million heroin users in the region and neighbouring Australia and New Zealand in 2017.<sup>85</sup>

While the estimated amount of heroin consumed by users is not available in Southeast Asia, figures are available for Australia. The most recent wastewater analysis conducted in Australia shows that 750 kg of heroin was consumed in the country between August 2017 and August 2018.<sup>86</sup> Reconciling the amount (750 kg) with the estimated number of heroin users in the country, calculated based on the most recent drug prevalence data, indicates that approximately 21.6 g of heroin were consumed per user in Australia during the period.<sup>87</sup> Multiplying the estimated total number of heroin users (see figure 13) with 21.6 g would imply regional demand of approximately 66 tons of pure heroin<sup>88</sup> used at an annual level.

**Figure 13: Estimates of the number of heroin users in 2017**



Note: Proxy data is used for countries with no available prevalence data; \*The figure for China includes the estimated number of heroin users from Hong Kong, China, Macau, China, and Taiwan Province of China.

Source: UNODC estimates based on data reported through ARQs from countries.

<sup>85</sup> Based on the data collected by UNODC via ARQ, UNODC estimates that the number of opiate users in East, Southeast Asia and Oceania is between 2.4 and 4.1 million people.

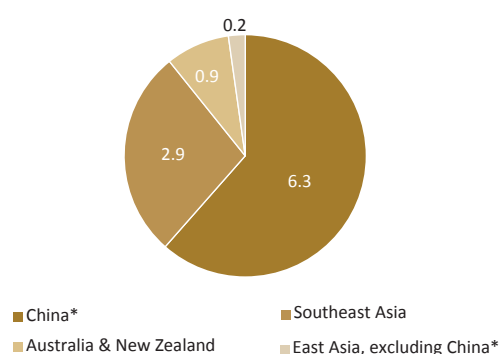
<sup>86</sup> ACIC, National Wastewater Drug Monitoring Program, Report 6, December 2018.

<sup>87</sup> According to the 2016 Australian Drug Strategy Household Survey, the estimated annual prevalence of heroin in the country is 0.2 per cent among people over the age of 14 years.

<sup>88</sup> Due to the lack of data on the potential amount of opium produced in Lao PDR since 2016 when the last opium survey took place in the country, it is not possible to estimate the total quantity of heroin produced in Southeast Asia and supplied to the drug market in the region. It is known that opium is still produced in several parts of the country, and while it is consumed locally it is also trafficked for the purposes of processing. The lack of an opium survey in Lao PDR is a significant limitation that hinders full understanding of the regional opiate and heroin market.

Multiplying national level consumption estimates with the local price data can yield a range for the value of the heroin market. Based on these calculations, the total value of the regional retail sales of heroin is approximately US\$ 8.7-10.3 billion annually. This range includes uncertainty around price data; it does not reflect uncertainty around estimated numbers of drug users or around annual amounts consumed.

**Figure 14: Estimated size of the retail heroin markets in East and Southeast Asia, Australia and New Zealand, in billion US\$ (high-end estimate)**



Note: \*The figure for China includes the estimated number of heroin users from Hong Kong, China, Macau, China, and Taiwan Province of China. Figures were rounded to the first decimal place.

Source: UNODC estimates.

## Looking ahead

Although the data indicate that demand for heroin in East and Southeast Asia has shown a declining trend over recent years, and that synthetic drugs have rapidly emerged as the primary drug problem in the region, a number of indicators suggest that heroin markets in several countries remain robust.

It is difficult to forecast any change in the level of opium poppy cultivation in the Golden Triangle based upon the various 'supply' and 'demand' factors that impact the illicit trade. However, considering the sizable heroin market in the region, drug trafficking groups in Myanmar will continue to engage in production of heroin in areas of armed conflict and political instability, conditions which are conducive for the illicit manufacture and trafficking of heroin and other synthetic drugs. Efforts to secure a durable political settlement with armed ethnic groups in Myanmar will require parallel efforts to reduce the regional demand for illicit drugs produced in these areas.



Heroin illicitly produced in Myanmar is trafficked a short distance across the border to China, one of the world's largest heroin markets, and to Thailand, where heroin use has shown an increase for four consecutive years and has expanded among the young Thai drug using population.<sup>89</sup> Thailand is also increasingly being targeted by transnational organized crime groups as a transit country for heroin trafficking to Malaysia, as indicated by the sharp increase in seizures in Thailand since 2016. Malaysia has reported significantly higher heroin seizures in this decade compared with the previous decade, and authorities in the country report that increasing quantities of heroin are transiting through the country to other destinations. Demand for heroin in Viet Nam remains strong, and the large quantities seized in the country during the past several years suggest that this will continue. In addition, the trafficking of heroin from Myanmar to destinations outside of Asia, in particular to Australia, will continue to present law enforcement challenges in transit and destination countries.

Acetic anhydride and other essential precursor chemicals required to manufacture heroin will also continue to be diverted and smuggled from chemical producers in neighbouring China and India. The remarkably small quantities of acetic anhydride seized in the region indicate that transnational organized crime groups are sourcing these substances with relative ease, and there are no indications to suggest that this trend will change.

The use of heroin will continue to present significant public health challenges in East and Southeast Asia. Injecting drug use in the region, although in decline, is a primary mode of HIV transmission and of other communicable diseases. However, PWID populations in the region remain marginalized and unable to access health and social services.

In addition, while the non-medical use of synthetic opioids – including fentanyl and its analogues – is not yet a major concern for Southeast Asia, it warrants closer monitoring, considering the strong demand for traditional opiates and the expanding NPS market in some countries in the region. The presence of profit-seeking transnational organized crime groups involved in the illicit manufacture and distribution of synthetic opioids in China, and the ease with which these substances can be produced

and shipped to consumers, suggest that if demand for these substances expands, supply will quickly follow.

### Policy options and responding

Opium poppy cultivation decreased significantly in Myanmar between the late 1990s and 2006, coinciding with a series of ceasefire agreements that contained provisions to stop or reduce opium production. As a result, there are few poppy fields remaining in Special Region 2, which was known in the past for very high levels of poppy cultivation.<sup>90</sup> However, demand for heroin has remained strong in East and Southeast Asia, and a resurgence of opium poppy cultivation occurred in Myanmar between 2006 and 2015 before starting to decline again each year to date. A critical lesson learned is that supply reduction measures (e.g. transitioning farmers from opium poppy) need to be accompanied by demand reduction and social support measures. If they are not, the recent downward trend observed in opium poppy cultivation in Myanmar may again be reversed. Reducing the challenges and harms associated with heroin use, including providing treatment and social services for heroin users, are important.

Given the heroin market in Southeast Asia is largely confined within the Mekong region, improving border management and intelligence-sharing in the sub-region is necessary, including through strengthening operational capacity and communications of drug law enforcement at key entry and exit points.

Greater resources and capacity building are required to reduce the diversion and trafficking of acetic anhydride and other precursor chemicals to heroin manufacturing areas of Myanmar. Measures are needed to improve the capacity of national authorities to better disrupt diversion of chemicals at their source and increase interdiction capacity along major trafficking routes, especially at major border checkpoints.

The development of sustainable livelihoods for opium growing communities in Myanmar and Lao PDR should be prioritised in conjunction with health and social services in particular health services. The

89 DAINAP.

90 UNODC, "Myanmar Opium Survey 2018: Cultivation, Production and Implications", January 2019 and previous years.

recent downward trend observed in opium poppy cultivation may make communities vulnerable to economic volatility and make it more difficult for them to earn enough income to subsist.

Law enforcement and public health systems in East and Southeast Asia are not adequately prepared to meet the expected challenges of potent synthetic opioids, raising concern that the emergence of synthetic opioid use in the region would have a devastating impact. It is important to enhance forensic capacity of countries in the region to detect these substances and their related precursors, and to develop drug mortality data.







## **Trafficking in Persons**





## Trafficking in Persons

### Overview of the situation

Uneven economic development and demand for cheap low-skill labour in Southeast Asia has been a major factor to drive trafficking in persons within the region and from the region to other parts of the world. Many human trafficking victims in Southeast Asia initially migrate across borders irregularly in search of better economic opportunities but are deceived and/or forced to work in fishing, seafood, agriculture, construction, or domestic services sectors. They suffer multiple forms of coercion as a way of preventing them from being able to leave the situation. In addition, the high levels of trafficking of women and girls for sexual exploitation remains a serious problem in most countries in the region. Meanwhile, the implementation of new legislation focusing on victim protection in Southeast Asia remains highly challenging on the ground.

### Nature of the market

The trafficking in persons for sexual exploitation and for forced labour<sup>1</sup> are the prominently detected forms of human trafficking in Southeast Asia, but victims in this region can also be trafficked to be used as beggars, for forced or sham marriages, benefit fraud, production of pornography, or for organ removal, as well as for other forms of

trafficking.<sup>2</sup> Most victims of trafficking for labour exploitation are forced to work in the construction, agriculture, manufacturing, hospitality, and domestic sectors,<sup>3</sup> and often come from the same place, speak the same language or share the same ethnic background as their traffickers.<sup>4</sup>

Southeast Asia is a global hub of trafficking in persons as a source and destination region. The majority of the flows within Southeast Asia involve victims being trafficked from less developed countries in Southeast Asia such as Cambodia, Lao PDR, Myanmar, and Viet Nam to more developed countries including Thailand, Malaysia and Singapore as well as to destinations outside of the region, particularly China, Japan, the Republic of Korea, Europe, North America, the Middle East and Australia.

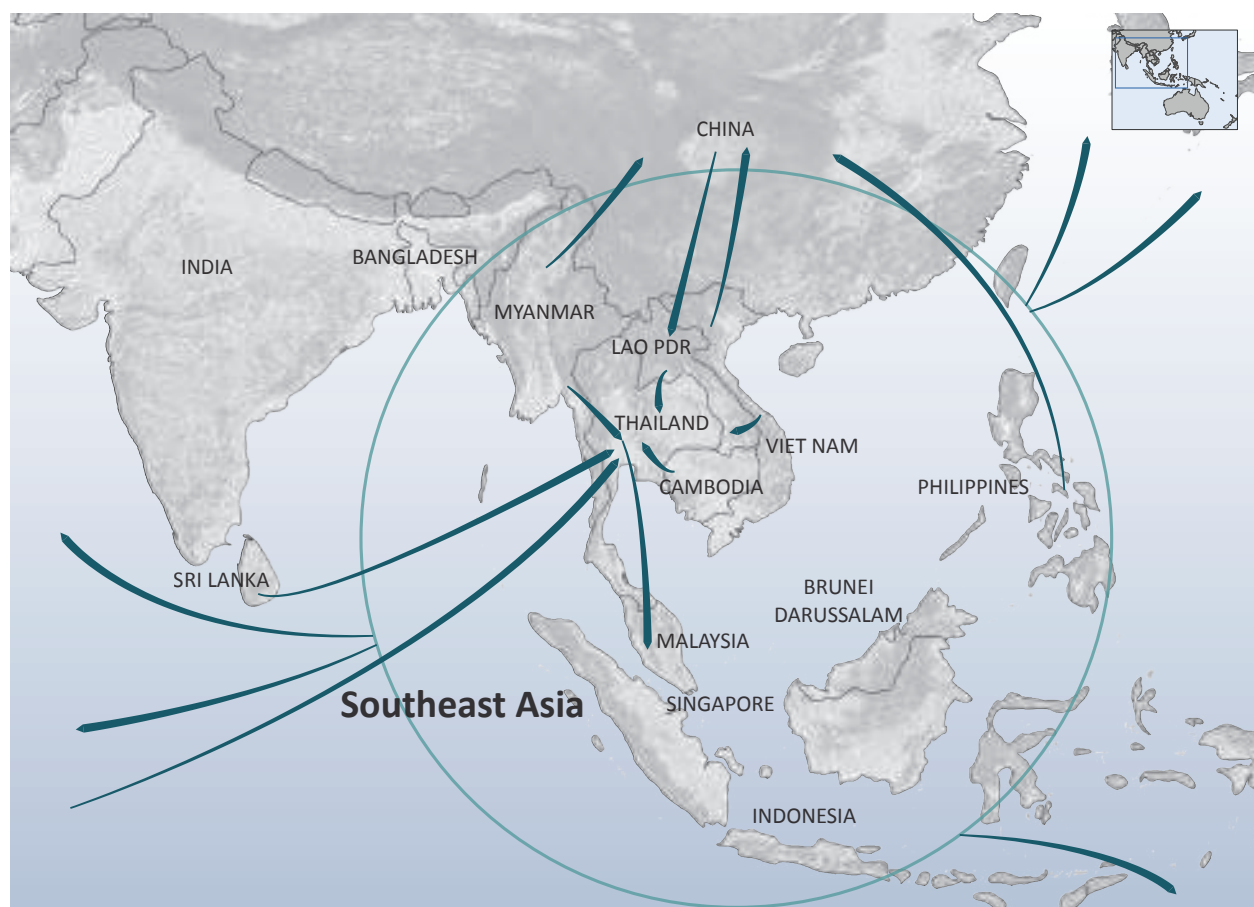
The high levels of irregular migration that result from uneven economic growth and wage disparities among countries in Southeast Asia, together with the high demand for cheap labour and relative ease of travel, multiply the opportunities for organised or independent traffickers to benefit from the exploitation of vulnerable individuals. It also makes it difficult for enforcement authorities

1 Article 2 of the 1930 Forced Labour Convention (No. 29) defines forced labour as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”.

2 UNODC, “Global Report on Trafficking in Persons 2018”, Vienna, 2018.

3 The Counter Trafficking Data Collective (CTDC), Global Data Hub on Human Trafficking. Accessed at: <https://www.ctdatacollaborative.org/>.

4 Ibid; European Court of Auditors, “EU support to fight human trafficking in South/South-East Asia”, Special Report, Luxembourg, 2017.

**Map 1: Primary flows of trafficking in persons for sexual exploitation affecting Southeast Asia**

Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Source: UNODC elaboration of national data.

to detect cases and identify victims.<sup>5</sup> Many victims in Southeast Asia initially migrate across borders irregularly in search of higher wages, in the hopes of sending remittances home or saving enough money to return, but wind up deceived and/or forced to work.<sup>6</sup> When they are unable to pay the excessive fees charged by recruiters, employers

<sup>5</sup> Though human trafficking is a covert trade by nature, trafficking journeys typically take place out in the open among the daily traffic of humans across borders. Case data from the International Organization for Migration (IOM) indicate that some 80 per cent of international human trafficking journeys pass through official border points, such as at airports and land border control points. IOM, "IOM: Most Victims Trafficked Internationally Cross Official Border Points", International Organization for Migration, 30 July 2018. Accessed at: <https://www.iom.int/news/iom-most-victims-trafficked-internationally-cross-official-border-points>.

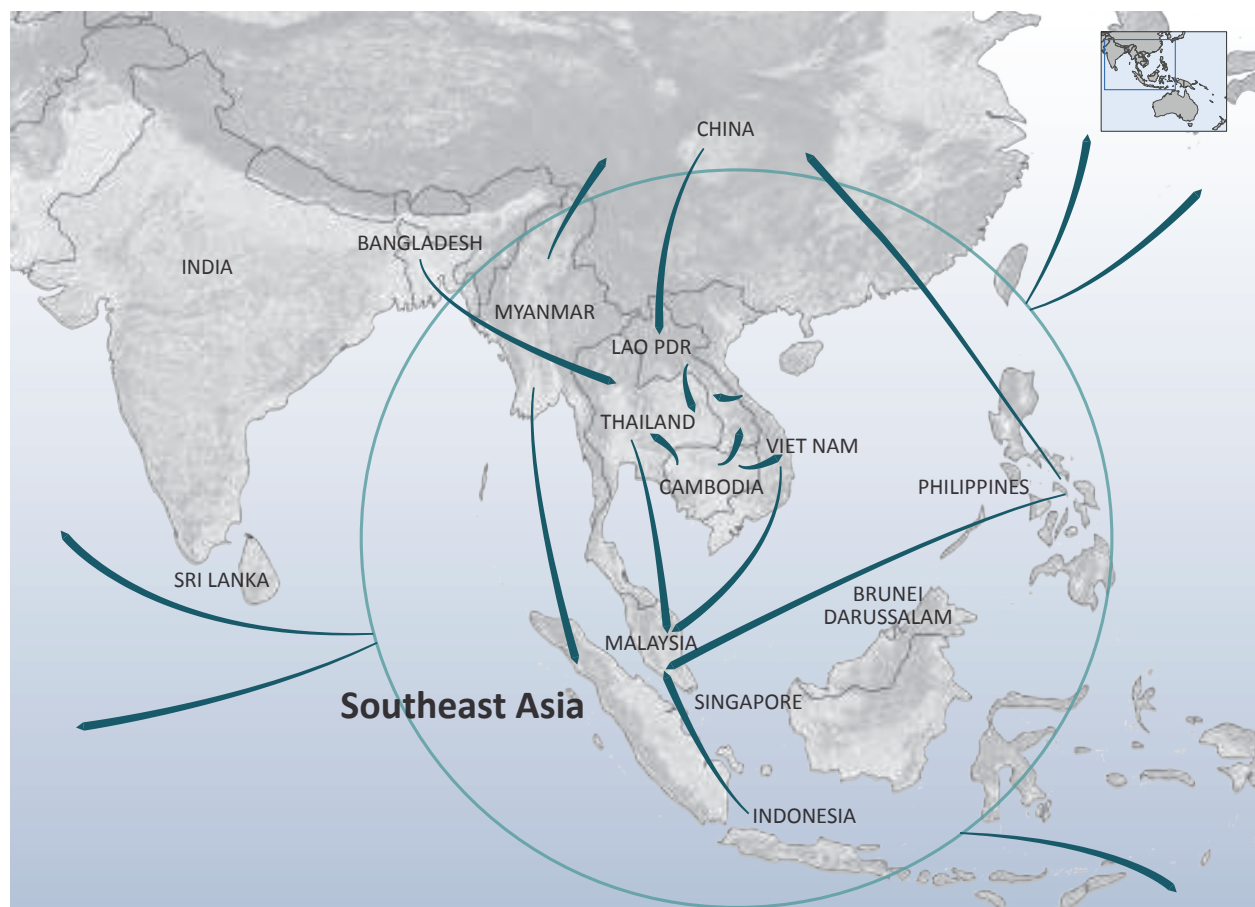
<sup>6</sup> ILO, "Ship to Shore Rights: Baseline research findings on fishers and seafood workers in Thailand", International Labour Organization, Bangkok, 2018; Sarah R. Meyer, et al, "Trafficking, Exploitation and Migration on the Thailand-Burma Border: A Qualitative Study", in *International Migration*, Vol 53 (4): 37-50, 2015; International Justice Mission and Issara Institute, "Not in the Same Boat: Prevalence & Patterns of Labour Abuse Across Thailand's Diverse Fishing Industry", Bangkok, January 2017. Accessed at: <https://www.ijm.org/documents/studies/IJM-Not-In-The-Same-Boat.pdf>.

or unauthorized brokers, these migrants become vulnerable to debt bondage,<sup>7</sup> physical violence, and other forms of exploitation.<sup>8</sup> Most victims of forced labour suffer multiple forms of coercion as a way of preventing them from being able to leave the situation. This method of labour exploitation also takes place in the migration flows within countries, with migrants from impoverished areas traveling to find work in more developed areas, where they are vulnerable to exploitation and human trafficking. However, due to gaps in the official data, the full extent of this type of exploitation is not known.

<sup>7</sup> Debt bondage occurs when a person is forced to work to repay a debt or forced to work and prevented from leaving because of a debt. According to the UNODC Model Law against Trafficking in Persons, "debt bondage" refers to the status or condition arising from a pledge by a debtor of his or her personal services or those of a person under his or her control as security for a debt, if the value of those services as reasonably assessed is not applied towards the liquidation of the debt or if the length of those services is not limited and defined.

<sup>8</sup> UNODC, "The role of recruitment fees and abusive and fraudulent recruitment practices of recruitment agencies in trafficking in persons", Vienna, October 2015.

**Map 2: Primary flows of trafficking in persons for forced labour affecting Southeast Asia**



Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Source: UNODC elaboration of national data.

### The UN Protocol to Prevent, Suppress and Punish Trafficking in Persons

The UN Protocol to Prevent, Suppress and Punish Trafficking in Persons defines Trafficking in Persons as the recruitment, transportation, transfer, harbouring, or receipt of persons, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, and the abuse of power or of a position of vulnerability or the giving or receiving of payments or benefits to achieve the consent of a person or having control over another person, for the purpose of exploitation.<sup>9</sup>

The participation in any of these stages of trafficking in persons generates revenues for organized criminal groups, and fuels cycles of criminality through bribery of state officials and other forms of corruption which facilitate the crime and undermine regulatory regimes and their supporting infrastructures. Human trafficking can also produce more complex environmental, social, health and safety effects in source, transit, and destination countries.<sup>10</sup>

<sup>9</sup> Article 3, paragraph (a) of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children.

<sup>10</sup> UNODC, "An Introduction to Human Trafficking: Vulnerability, Impact and Action", Background Paper, Vienna, 2008.



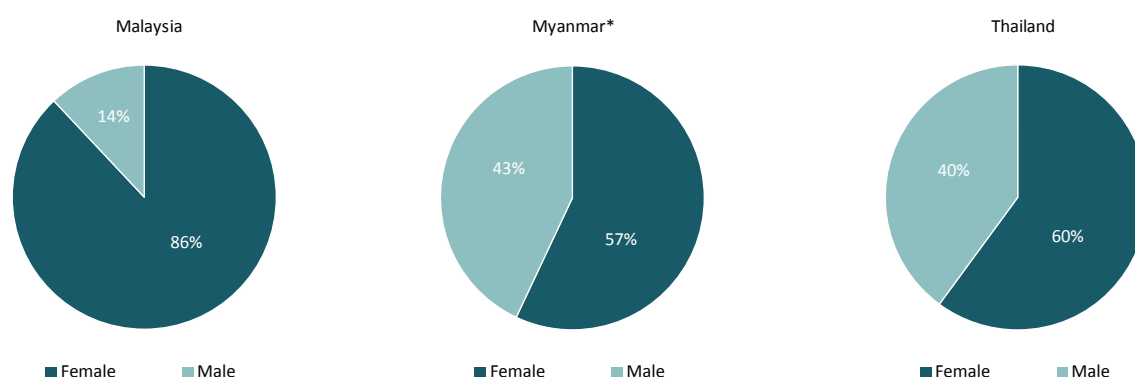
## Trafficking of women

Recorded cases of human trafficking disproportionately involve women and girls.<sup>11</sup> In East Asia and the Pacific, women accounted for two thirds of the detected victims of trafficking in

and may be targeted by armed groups for sexual slavery, forced marriage and domestic servitude.<sup>15</sup>

Trafficking for forced marriage is not highly detected in Southeast Asia but research has shown that this form of exploitation may be more common than

**Figure 1: Proportion of women trafficking victims in Malaysia, Myanmar and Thailand, 2014-2017**



Note: \*Data for Myanmar cover 2015, 2016 and 2017.

Sources: UNODC, "Global Report on Trafficking in Persons 2018", Vienna, 2018; Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

the region in 2016, the latest year for which data are available.<sup>12</sup> Malaysia, Myanmar, the Philippines, Singapore, and Thailand reported majorities of women among the detected victims. In the countries of the Mekong region, a higher share of child victims, especially girls, were detected.<sup>13</sup>

Women and girls are particularly vulnerable to sexual exploitation, domestic servitude, forced or fraudulent marriages, forced begging, and forced labour in agriculture, garments and cleaning industries. In addition, discriminatory cultural practices, often resulting in gender-based violence, may also be connected to their greater vulnerability.<sup>14</sup> Women and girls are also more vulnerable than males to different forms of exploitation in the absence of the rule of law during crises such as armed conflict or natural disasters,

what has been officially reported.<sup>16</sup> Once forced to marry, many victims, especially underage girls, are placed at greater risk of being subjected to sexual exploitation, domestic servitude, and other forms of forced labour.<sup>17</sup> Forced marriage has been identified as a particular problem in the Mekong region countries of Cambodia, Lao PDR, Myanmar, Viet Nam and China.<sup>18</sup>

## Trafficking of persons within armed conflict areas

Decades of armed conflict, community-based violence and human rights abuses in the impoverished and remote regions of Myanmar continue to drive the displacement of large populations, who are easy prey for human traffickers. Non-state armed groups in both

11 "Men" are males aged 18 or older; "boys" are males aged 17 or below. "Women" are females aged 18 or older; "girls" are females aged 17 or below. Law enforcement, especially in Southeast Asia, tends to focus on cases of sexual exploitation (of which the majority of victims are women and girls) rather than on cases of forced labour.

12 UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

13 Ibid; Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

14 Inter-Agency Coordination Group against Trafficking in Persons, "The Gender Dimensions of Human Trafficking", ICAT Issue 4, September 2017; UNODC, "Global Report on Trafficking in Persons 2016", Vienna, 2016.

15 Inter-Agency Coordination Group against Trafficking in Persons, "The Gender Dimensions of Human Trafficking", ICAT Issue 4, September 2017.

16 Forced marriage occurs when persons, regardless of their age, have been forced to marry without their consent. A person might be forced into marriage through physical, emotional, or financial duress, deception by family members, the spouse, or others, or the use of force, threats, or severe pressure. UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

17 ILO and Walk Free Foundation 2017, "Global Estimates of Modern Slavery: Forced Labour and Forced Marriage", International Labour Organization and Walk Free Foundation, in partnership with the International Organization for Migration, Geneva, 2017.

18 According to official data reported from government agencies in these countries.

## Trafficking in persons and the Sustainable Development Goals (SDGs)

Trafficking in persons is a form of crime deeply rooted in broader development issues including poverty, education, child labour, abuse and exploitation, gender inequality and discrimination, migration and the effects of climate change.<sup>19</sup> Eliminating human trafficking is essential to ensure people's well-being and for achieving the 2030 Agenda for Sustainable Development and the SDGs. A driving principle of the SDGs is that member states have a collective interest and responsibility to ensure that the most vulnerable people and populations, including migrants and refugees, are not left behind by economic, social and environmental progress.



Of the 17 SDGs, trafficking in persons is specifically mentioned in three targets under three goals: SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth) and SDG 16 (Peace Justice and Strong Institutions).<sup>20</sup> SDG target 5.2 specifically addresses human trafficking: "Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation."<sup>21</sup> SDG target 8.7 calls on member states to eradicate forced labour, end modern slavery and human trafficking and eliminate the worst forms of child labour.<sup>22</sup> SDG target 16.2 calls upon member states to end the abuse, exploitation, trafficking and all forms of violence and torture against children. In addition, SDG indicator 16.2.2. requests member states to provide estimates of the number of victims of human trafficking per 100,000 population, by sex, age and form of exploitation,<sup>23</sup> in order to enable policymakers to develop evidence-informed responses to combat the crime. As the custodian of this indicator, UNODC continues to work with interested member states to estimate the total number of victims (detected and non-detected) and to support Multiple Systems Estimation (MSE) studies to enhance responses to trafficking in persons and to enable reporting on SDG 16.2.

countries are known to traffic victims, including children, for both combat and non-combat roles.<sup>24</sup>

Protracted armed civil war in Myanmar's northeastern border regions and inter-communal conflict in the western State of Rakhine – which has displaced more than 700,000 Muslim Rohingya to Bangladesh in 2017 and hundreds of thousands more since the outbreak of violence in 2012 – continue to create large numbers of displaced people.<sup>25</sup> Some have reportedly been victims

of trafficking.<sup>26</sup> Women from Myanmar's other ethnic minority communities displaced by civil war have long been trafficked into Thailand for sexual exploitation, and some have been sold as brides in China.<sup>27</sup>

### Domestic trafficking

As trafficking in persons is often viewed as a broader migration-related phenomenon, it often overlooks a large proportion of victims that are trafficked domestically. Available data from countries in Southeast Asia show that a large number of victims are trafficked within their own countries. For instance, between 2014 and 2017 a total of 2,856 victims of trafficking in persons were identified in Thailand. Nearly the half of the victims were Thai nationals (1,323 victims). In addition, the majority of victims of trafficking detected in the Philippines between 2014 and 2017 (September) were citizens of the country.<sup>28</sup>

19 Inter-Agency Coordination Group against Trafficking in Persons, 'The Role of the Sustainable Development Goals (SDGs) in Combating Trafficking in Persons', ICAT Issue Brief 05, April 2018.

20 In addition, SDG Target 10.7 calls on member states to facilitate orderly, safe, and responsible migration and mobility of people, including through implementation of planned and well-managed migration policies.

21 Sustainable Development Goals Knowledge Platform. Accessed at: <https://sustainabledevelopment.un.org/sdg5>.

22 Sustainable Development Goals Knowledge Platform. Accessed at: <https://sustainabledevelopment.un.org/sdg8>.

23 UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

24 Mely Caballero-Anthony, "A Hidden Scourge", International Monetary Fund, Finance & Development, Vol. 55, No. 3, September 2018. Accessed at: <https://www.imf.org/external/pubs/ft/fandd/2018/09/human-trafficking-in-southeast-asia-caballero.htm>.

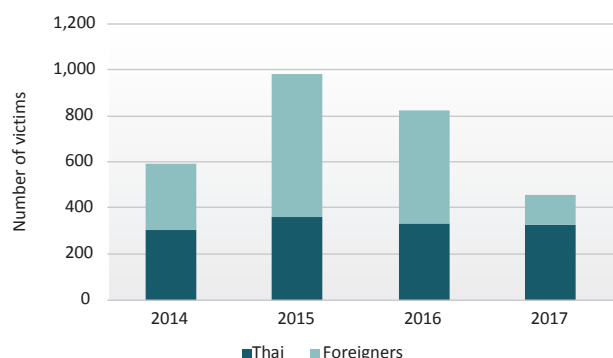
25 Internal Displacement Monitoring Centre, "Country Information: Myanmar", undated. Accessed at: <http://www.internal-displacement.org/countries/myanmar>.

26 UN News, "UN migration agency: young Rohingya girls, largest group of trafficking victims in camps", 16 October 2018. Accessed at: <https://news.un.org/en/story/2018/10/1023282>.

27 Human Rights Watch, "Give Us a Baby and We'll Let You Go" Trafficking of Kachin "Brides" from Myanmar to China", March 2019.

28 UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

**Figure 2: Number of Thai and foreign victims of trafficking in persons in Thailand, 2014-2017**



Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

## Overview of major flows

Making it easy for people to travel in Southeast Asia is a key driver of economic growth and regional connectivity. However, freer labour regulations together with looser and unharmonised migration controls among countries in the region also expand the opportunities for criminals to exploit migrants. In the Mekong region, for example, despite the existence of formal bilateral agreements and cooperation between Thailand and its neighbours, most labour migration from Cambodia, Lao PDR and Myanmar to Thailand continues to be undocumented, leaving many migrants vulnerable to criminals who target those migrating along irregular and high-risk routes. Authorities in Southeast Asia have also been challenged by human traffickers operating at the edges of the region and from source countries outside the region, including along routes from South Asia and the Middle East through Southeast Asia, and from Myanmar and Bangladesh to Malaysia and Indonesia. There are also trafficking flows in the other direction from Southeast Asia to the Middle East, Western and Central Europe, and Australia. In addition, human trafficking routes to North America from Asia, in particular from Southeast Asia but especially Thailand and the Philippines, continue to be frequently used, accounting for roughly 8 per cent of the detected trafficking victims in North America in 2016.<sup>29</sup>

<sup>29</sup> Ibid.

## Trafficking from Cambodia, Lao PDR, and Myanmar to Thailand

Large-scale labour migration to Thailand began in the 1990s during Thailand's decade-long economic boom from 1987 to 1996, which greatly expanded wage differences between Thailand and its neighbours.<sup>30</sup> The number of non-Thai residents within the country has increased from an estimated 3.7 million in 2014 to 4.9 million in 2018, approximately 80 per cent of which are migrant workers from Cambodia, Lao PDR, Myanmar and Viet Nam.<sup>31</sup> This suggests that more than 10 per cent of Thailand's total workforce are migrants. In some sectors such as construction and fishing, migrant workers may account for up to 80 per cent of the total workforce.<sup>32</sup> Many of these migrants enter Thailand irregularly and remain in irregular situations, leaving them vulnerable to deception, coercion, violence and other forms of exploitation while travelling, but also once they have reached their destination. Several hundred nationals of Cambodia, Lao PDR and Myanmar are detected each year in Thailand as victims of human trafficking and/or forced labour on board fishing vessels or in the agriculture, manufacture, domestic work and other sectors and for forced begging.<sup>33</sup>

Of the total 2,856 victims of human trafficking identified in Thailand from 2014 through 2017, roughly 29 per cent were from Myanmar, 10 per cent were from Lao PDR, 4.1 per cent were from Cambodia, and 11.8 per cent were from Viet Nam, Indonesia and other countries.<sup>34</sup> The largest share of identified trafficking victims in Thailand are Thai nationals, which accounted for more than 46 per cent of all victims identified from 2014 through 2017.<sup>35</sup> The downward trend in the detection of trafficking victims in Thailand may be due to the harsher sentences for convicted traffickers, asset forfeiture during litigation and stronger cooperation with countries of origin,<sup>36</sup> especially

<sup>30</sup> United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.

<sup>31</sup> Ibid.

<sup>32</sup> World Bank, "Aging Society and Economy. Thailand Economic Monitor", Bangkok, June 2016.

<sup>33</sup> Thailand DSI, "Annual Report 2017", Department of Special Investigation, Ministry of Justice, Bangkok, undated.

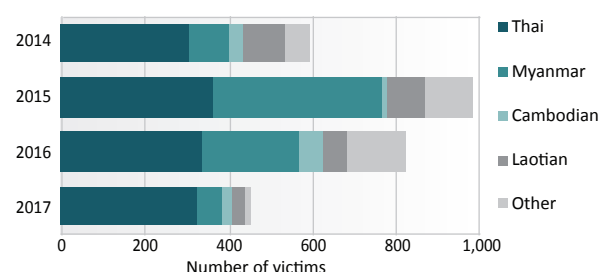
<sup>34</sup> Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

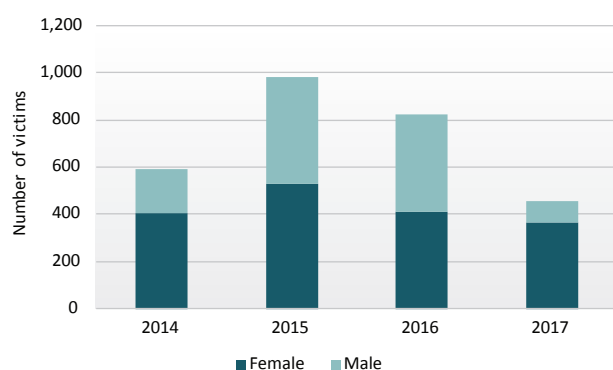
the government of Myanmar,<sup>37</sup> or it may also be a sign of less detection in Thailand.

**Figure 3: Victims of trafficking in persons identified in Thailand by nationality, 2014-2017**



Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

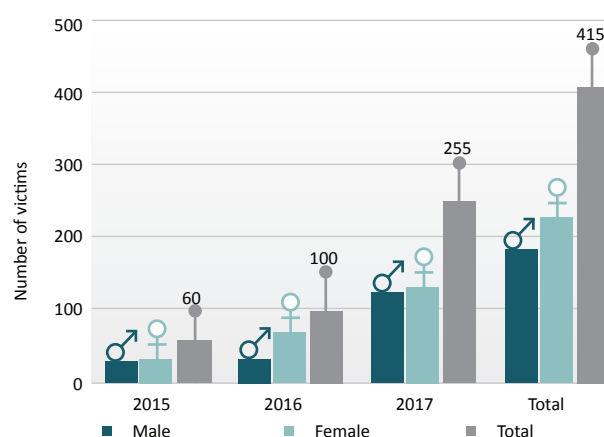
**Figure 4: Victims of trafficking in persons detected in Thailand by sex, 2014-2017**



Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

Cambodia has detected increasing numbers of trafficking victims crossing its western border at Poipet into Thailand each year. From 2015 through 2017, Cambodian authorities detected a total of 415 victims being trafficked into Thailand<sup>38</sup> while Thai authorities detected 87 total trafficking victims from Cambodia during that same time period.<sup>39</sup> However, the data do not indicate whether the victims were trafficked for the purpose of sexual or labour exploitation.

**Figure 5: Cambodian victims identified by Cambodian authorities at the Poipet border crossing into Thailand by sex, 2015-2017**



Source: Royal Cambodian Government's responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018. Data provided by the Poipet Transit Center, Ministry of Social Affairs, Veterans and Youth Rehabilitation.

Many would-be migrant workers from Lao PDR are enticed by Thai recruiters with the promise of all-expenses-paid travel, documentation, and employment. Once in Thailand, however, Lao women are frequently forced to work as waitresses without pay or lured into marriage while Lao men are more often trafficked into forced labour situations on sugarcane, corn or livestock farms, on construction sites and on fishing vessels.<sup>40</sup>

Trafficking in persons within the commercial Thai fishing and seafood processing industries has garnered a great deal of international attention in recent years. The majority of victims are from Cambodia, Lao PDR, Myanmar and Thailand. Men and boys from these countries are recruited in Thailand for employment on fishing boats but are then subjected to conditions of forced labour on Thai-flagged vessels in international waters. Reports indicate that large numbers of Lao men and boys trafficked into the Thai fishing sector have been identified in Indonesian waters<sup>41</sup> while Cambodian victims have been identified in Fiji, Indonesia, Malaysia, Mauritius, Papua New Guinea, Senegal and South Africa.<sup>42</sup>

37 Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.

38 Cambodia government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018. Data provided by the Poipet Transit Center, Ministry of Social Affairs, Veterans and Youth Rehabilitation.

39 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

40 The National Steering Committee on Anti-Human Trafficking, Lao PDR, "Annual Report on Anti-Trafficking in Persons in the Lao PDR 2017", Unofficial Translation, 09 February 2017.

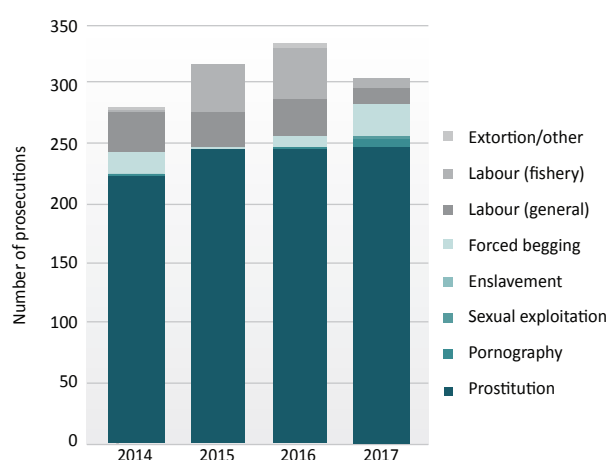
41 U.S. Department of State, "2018 Trafficking in Persons Report: Laos", Office to Monitor and Combat Trafficking in Persons..

42 U.S. Department of State, "2018 Trafficking in Persons Report: Cambodia", Office to Monitor and Combat Trafficking in Persons.

The Thai government has made sweeping reforms to fisheries management and labour laws in recent years to combat the crime. Thailand ratified the International Labour Organisation (ILO) 2014 Protocol to Forced Labour Convention in 2018 and the Work in Fishing Convention, 2007 (No.188) in 2019, which protects the living and working conditions of fishers on board vessels. The Thai government has also stepped up efforts to formally register migrant workers. In 2017, Thailand issued Temporary Residence Permits to 118,815 Myanmar nationals who had proof of citizenship and passports issued by the Myanmar Embassy in Thailand. In addition, a total of 917,416 undocumented Myanmar workers in Thailand were issued identification certificates in 2017.<sup>43</sup>

As part of its efforts to crackdown on human trafficking in the fishing and seafood sectors, the Thai government from 2015 through 2017 revoked the licenses of more than 25,000 fishing vessels and cargo ships. In 2015, Thailand prosecuted 39 cases related to human trafficking in connection with forced labour in the Thai seafood industry.<sup>44</sup> According to media reports, these included the conviction of five Thai fishing boat captains and three Indonesian nationals who were captured by Indonesian authorities at a remote island village some 3,000 km east of Jakarta, and given three-year jail terms for the use of slave labour on board Thai-flagged fishing vessels.<sup>45</sup> The Thai government's campaign has resulted in the sharp decline in the number of human trafficking victims detected in the fishing industry, from 182 victims in 2016 to 11 victims in 2017, according to data from the Office of the Attorney General,<sup>46</sup> although many may continue to go undetected.

**Figure 6: Number of prosecutions for human trafficking cases in Thailand by form of trafficking, 2014-2017**



Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

In Myanmar, a large portion of human trafficking victims are trafficked for forced labour. The number of human trafficking cases has increased each year in Myanmar, more than doubling from 2013 (102 cases) to 2017 (224 cases).<sup>47</sup> In 2018, the figure decreased to 206 cases, most of which involved human trafficking to China, Thailand, Malaysia and Indonesia.<sup>48</sup> The number of persons convicted for human trafficking increased almost 130 per cent, from 269 persons in 2013 to 642 persons in 2017, with women accounting for roughly 62 per cent of all persons convicted during the five-year reporting period.<sup>49</sup> The portion of children trafficked during this same time has ranged between about 10 to 15 per cent each year. Of the 224 trafficking cases reported in 2017, the main destination countries were China (162 cases, 72 per cent), internal trafficking within Myanmar (48 cases, 22 per cent), Thailand (13 cases, 6 per cent) and one case to Malaysia.<sup>50</sup>

43 Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.

44 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

45 Associated Press, "Five jailed in seafood slavery case", in The Guardian, 11 March 2016. Accessed at: <https://www.theguardian.com/world/2016/mar/11/seafood-slave-drivers-given>.

46 UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, data provided by Thailand's Office of the Attorney General.

47 Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.

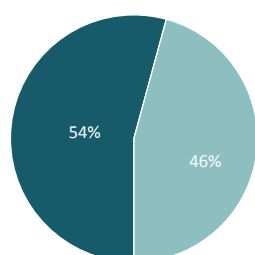
48 Government of Myanmar, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

49 Ibid.

50 Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.



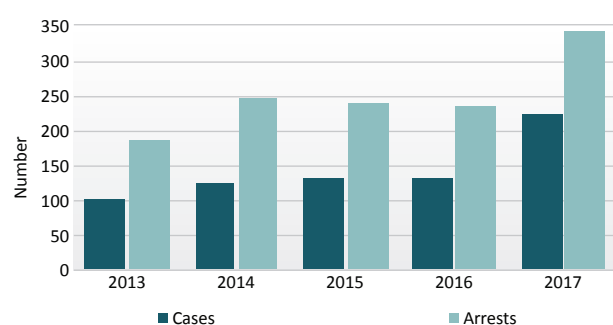
**Figure 7: Proportion of the prosecution of trafficking in persons for forced labour in Thailand by type, 2014-2017**



■ General labour ■ Fishery

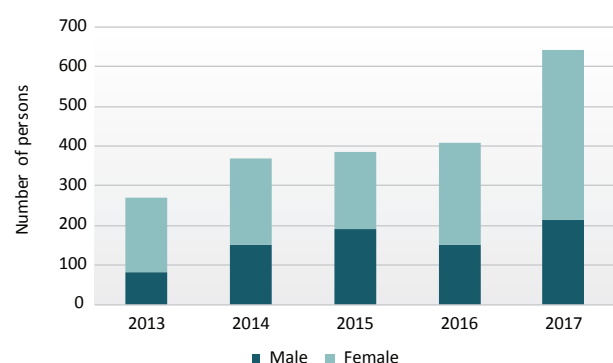
Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

**Figure 8: Number of cases and arrests of trafficking in persons in Myanmar, 2013-2017**



Source: Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

**Figure 9: Persons convicted of human trafficking offenses in Myanmar by sex, 2013-2017**

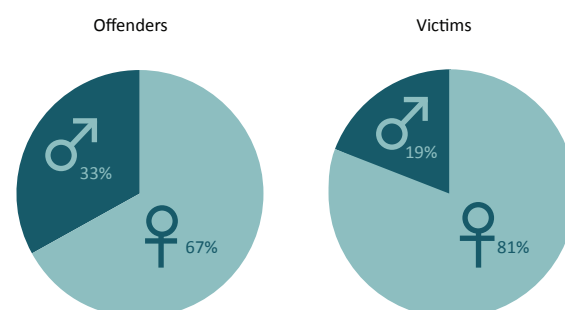


Source: Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

In the 224 human trafficking cases recorded in Myanmar in 2017, a total of 355 trafficking victims and four destination countries were identified, of which 184 total victims (181 women and three men) were being or had already been trafficked to China,

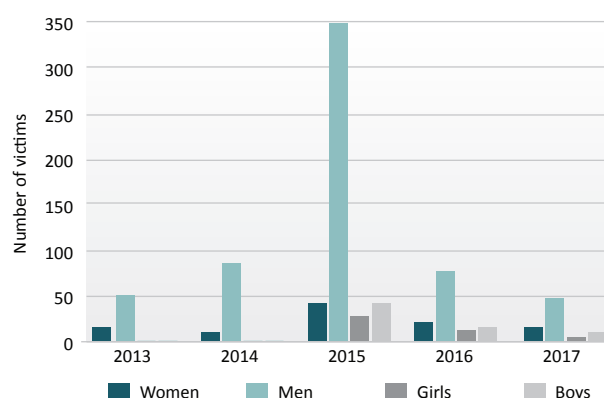
representing 51 per cent of all victims. Most were detected at the northeast border crossing at Muse in northeast Myanmar. Another 119 victims (70 men and 49 women) were detected in or en route to Thailand, and five Myanmar men were returned from Indonesia.<sup>51</sup> From 2014 to 2017, Myanmar authorities arrested 28 Chinese nationals and one Thai national for human trafficking offenses; however, the data do not indicate whether these offenders were convicted or what specific crimes they committed.<sup>52</sup>

**Figure 10: Proportion of detected Myanmar national victims of trafficking and offenders by sex, 2017<sup>53</sup>**



Source: Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

**Figure 11: Victims of forced labour in Myanmar by sex and age, 2013-2017**



Source: Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

In addition to these primary human trafficking flows, there are other trafficking patterns within the Mekong region and out from the region. Significant numbers of Cambodian nationals have

<sup>51</sup> Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.

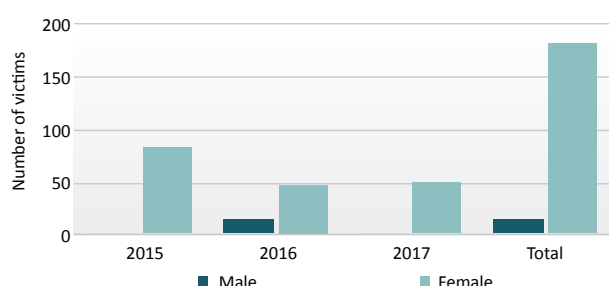
<sup>52</sup> Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

<sup>53</sup> Trafficking victims include women and girls and men and boys. Offenders include only men and women.



been repatriated each year from destinations within and outside of Southeast Asia. From 2015 through 2017, Cambodian anti-trafficking officials reported the repatriation of 195 human trafficking victims from China, primarily women.<sup>54</sup> In 2017, the Ministry of Foreign Affairs and International Cooperation was reported to have assisted with the repatriation of 986 Cambodian trafficking victims from nine countries (compared with 815 victims from 11 countries in 2016), the majority of which were repatriated from Malaysia, Thailand, Viet Nam and China, as well as from Lao PDR, Indonesia, Japan, Singapore and Myanmar. In addition, the Ministry of Social Affairs, Veterans, and Youth Rehabilitation is reported to have assisted in the repatriation of 18 Cambodian nationals who were working aboard a Thai fishing vessel in Somalian waters in 2017.<sup>55, 56</sup>

**Figure 12: Cambodian victims repatriated from China by sex, 2015-2017**



Source: Royal Cambodian Government, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018. Data from the National Committee to Combat Trafficking in Persons (NCCT).

### Trafficking to Malaysia for forced labour and sexual exploitation

Malaysia, because of its geographical location and comparatively higher wages, is a popular destination for human smugglers and traffickers. In addition to the flows of Rohingya from Myanmar and Bangladesh mentioned above, Malaysia is also a major destination for irregular migrants from other Southeast Asian countries, the large majority of which are among the roughly two million documented migrant workers and even larger number of undocumented migrant workers

54 Royal Cambodian Government, Cambodia country briefing, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018. Data from the National Committee to Combat Trafficking in Persons (NCCT).

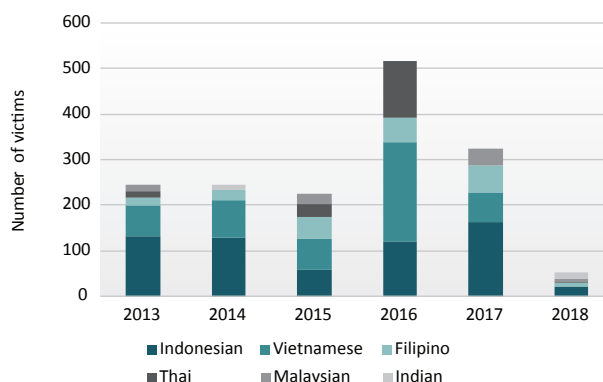
55 U.S. Department of State, "2018 Trafficking in Persons Report: Cambodia", Office to Monitor and Combat Trafficking in Persons.

56 Khmer Times, "Cambodians rescued from Thai boat in Somalia", 11 August 2017. Accessed at: <https://www.khmertimeskh.com/77789/cambodians-rescued-thai-boat-somalia/>.

in Malaysia.<sup>57, 58</sup> Their irregular status and the presence of organized criminal groups along these migration routes increases their vulnerability to trafficking.

In 2017, Malaysian police recorded 410 cases related to human trafficking and arrested 648 persons from 21 different countries, about the same as in the previous year (645 arrested from 17 countries). Approximately three fourths of those arrested in 2017 were from Malaysia while most of the remainder were nationals of Thailand, Indonesia, Myanmar, India, Bangladesh, the Philippines, Viet Nam and China. A total of 68 offenders were convicted in 2017.<sup>59</sup> In 2018, compared to five preceding years, the number of victims detected in Malaysia significantly decreased to 58 victims.<sup>60</sup> This may be a result of stronger law enforcement efforts to combat the trade, which may have had the effect of deterring traffickers or driving the trade further underground.

**Figure 13: Top five nationalities of detected victims of all forms of human trafficking in Malaysia, 2013-2018**



Sources: Royal Malaysia Police, "Human Trafficking & People Smuggling in Malaysia", presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018; Royal Malaysia Police, Malaysia country presentation, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

57 Estimates of the number of foreign workers in Malaysia vary widely. The official figure dropped sharply from 6.7 million in late 2014 to 3.8 million in 2016. However, the Malaysia Labour Force Survey reports that the number of documented and undocumented foreign workers increased from 1.8 million in 2013 to 2.2 million in 2016. Lee Hwok-Aun and Khor Yu Leng, "Counting Migrant Workers in Malaysia: A Needlessly Persisting Conundrum", ISEAS Yusof Ishak Institute, Perspective Issue 2018, No. 25, Singapore, 25 April 2018.

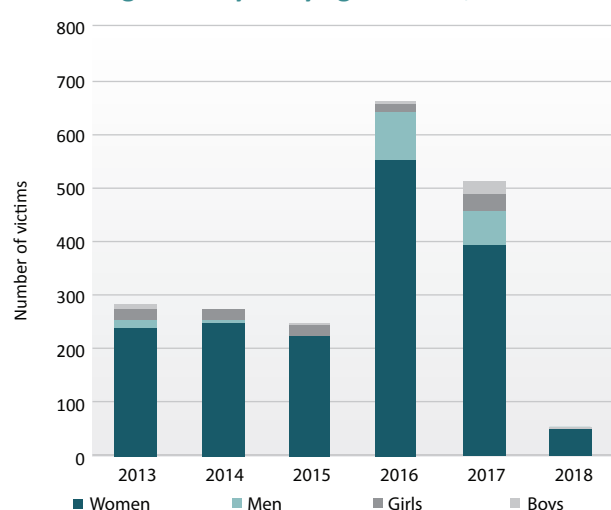
58 Royal Malaysia Police, Malaysia country briefing, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

59 Royal Malaysia Police, "Human Trafficking & People Smuggling in Malaysia", presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

60 Royal Malaysia Police, Malaysia country briefing, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

From 2013 through 2018, approximately 34 per cent of all trafficking victims were detected in conditions of forced labour, of which women and girls accounted for 81 per cent. During this period, Malaysia detected a total of 2,034 trafficking victims in the country, an average of about 340 victims per year. Over 7 per cent were underage. The largest share of trafficking victims during this period were from Indonesia (30 per cent), Viet Nam (25 per cent), the Philippines (10 per cent), Thailand (8 per cent), and the remainder were from Myanmar, Cambodia, Malaysia and India.<sup>61</sup>

**Figure 14: Detected victims of all forms of human trafficking in Malaysia by age and sex, 2013-2018**



Source: Royal Malaysia Police, “Human Trafficking & People Smuggling in Malaysia”, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

**Table 1: Proportion of detected labour trafficking victims in Malaysia, by country of origin, 2013-2018**

Year	Top	Second	Third	Fourth	Fifth
2013	Indonesia (131)	Viet Nam (69)	Philippines (18)	Thailand (14)	Malaysia (12)
2014	Indonesia (128)	Viet Nam (82)	Philippines (24)	Cambodia (12)	India (10)
2015	Viet Nam (66)	Indonesia (59)	Philippines (49)	Thailand (28)	Malaysia (23)
2016	Viet Nam (218)	Thailand (124)	Indonesia (121)	Philippines (53)	Cambodia (42)
2017	Indonesia (162)	Viet Nam (67)	Philippines (60)	Myanmar (52)	Malaysia (36)
2018	Indonesia (22)	India (14)	Philippines (7)	Thailand (5)	Malaysia (4)

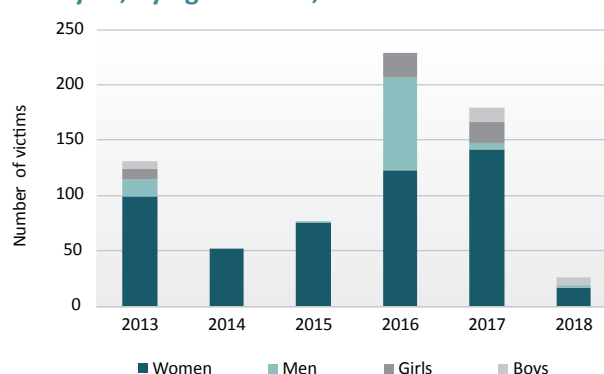
Note: \* Other countries include Cambodia, Myanmar, Malaysia, India and others.

Source: Royal Malaysia Police, “Human Trafficking & People Smuggling in Malaysia”, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

61 Ibid.

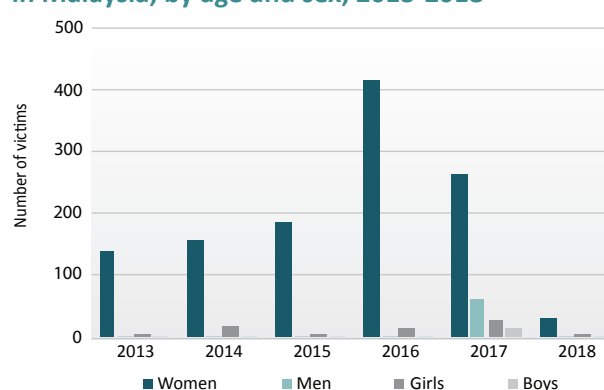
The majority of detected trafficking cases in Malaysia in recent years have been related to sexual exploitation, accounting for roughly 60 to 73 per cent from 2016 through 2018, or an average of 260 victims per year, although the data do not indicate the nationality of the victims.<sup>62</sup> The vast majority of victims of sexual exploitation were women and girls. However, during 2016-2018, a total of 61 men and 15 boys were also detected as victims of sex trafficking in Malaysia, after none had been reported during the previous four years.<sup>63</sup>

**Figure 15: Detected victims of forced labour in Malaysia, by age and sex, 2013-2018**



Sources: Royal Malaysia Police, “Human Trafficking & People Smuggling in Malaysia”, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018; Royal Malaysia Police, Malaysia country briefing, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

**Figure 16: Detected victims of sexual exploitation in Malaysia, by age and sex, 2013-2018**



Sources: Royal Malaysia Police, “Human Trafficking & People Smuggling in Malaysia”, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018; Royal Malaysia Police, Malaysia country presentation, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

62 One report indicates that increasing numbers of foreign sex workers in Kuala Lumpur are nationals of China, Myanmar, Viet Nam, Thailand, Lao PDR and Cambodia. Puspapala C Suppiah, et al., “News Coverage of Foreign Sex Workers in Malaysia: A Critical Analysis”, GEMA Online Journal of Language Studies, Volume 19(1), February 2019. Accessed at: <http://doi.org/10.17576/gema-2019-1901-08>.

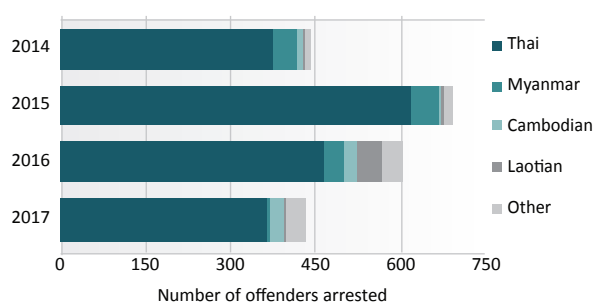
63 Royal Malaysia Police, Malaysia country briefing, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

## Trafficking in the Mekong region for sexual exploitation

Human trafficking for sexual exploitation accounted for roughly 79 per cent of the total number of cases detected in Thailand from 2014 through 2017, primarily involving female victims from the Mekong region, but also from some countries in Africa and the Middle East as well as from Russia, Uzbekistan and Sri Lanka. A large number of the offenders from Thailand and the origin countries arrested are women. A commonly used method by traffickers involves luring female victims by promising them work either within the country or, if abroad, by also providing them with forged documents and illegal transportation into the country. Upon arrival at their destination, traffickers often confiscate the victim's identification documents and force them to work in the sex industry.

During the four-year period from 2014 through 2017, an average of roughly 60 per cent of the total number of identified trafficking victims in Thailand were female, while roughly 55 per cent of all persons convicted for human trafficking were female. In 2017, 81 per cent of the victims and 66 per cent of the offenders were female.<sup>64</sup>

**Figure 17: Nationality of human trafficking offenders arrested in Thailand, 2014-2017**



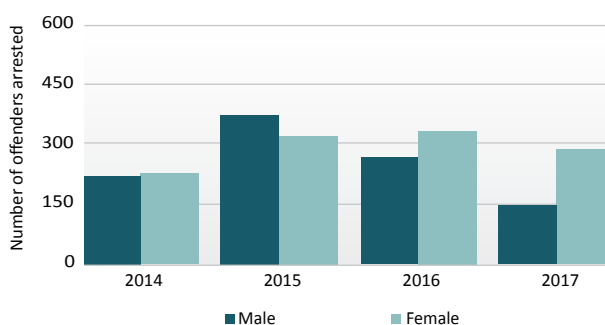
Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

In 2017, trafficking for sexual exploitation accounted for 255 cases or 84 per cent of the total 302 cases in Thailand. During the year, Thai authorities uncovered 17 online sex trafficking cases, and eight pornography cases, five of which occurred abroad in the Republic of Korea, Japan and unspecified countries in the Middle East. A total of 36 cases

<sup>64</sup> Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

of clients of child sex trafficking were prosecuted in 2015-2017, with those charged receiving prison terms of between 2 to 25 years.<sup>65</sup>

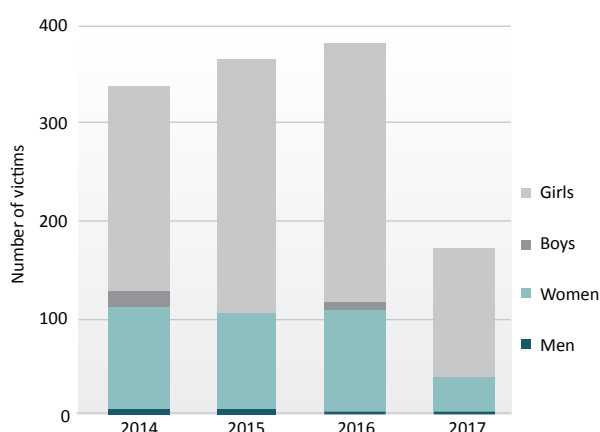
**Figure 18: Number of human trafficking offenders arrested in Thailand by sex, 2014-2017**



Source: Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

Data from the Thai Office of the Attorney General indicate that of the 1,248 detected victims of trafficking for sexual exploitation during the 2014-2017 period, almost 70 per cent were underage girls (862 girls). In comparison, underage girls and boys represented 37.5 per cent of all detected victims of forced labour during the same time period.<sup>66</sup>

**Figure 19: Total number of victims of trafficking for sexual exploitation in Thailand by age and sex, 2014-2017 (July)**



Note: Data for 2017 cover the period from January to July. Source: UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, data provided by Thailand's Office of the Attorney General.

<sup>65</sup> Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

<sup>66</sup> Office of the Attorney General data for 2017 are through 07 September. UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, data provided by Thailand's Office of the Attorney General.

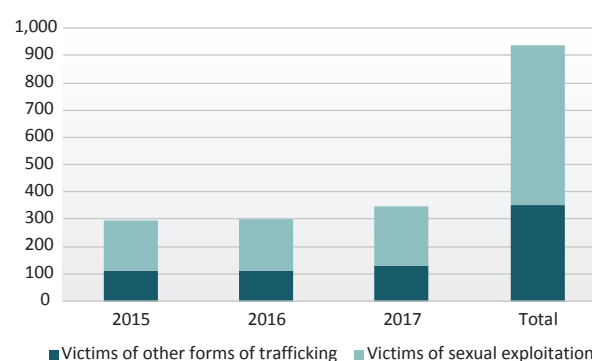
In 2017, the Department of Special Investigations Bureau of Human Trafficking Crime disrupted two transnational trafficking rings involving networks from Uganda and Morocco.<sup>67</sup> A Ugandan network operating in Bangkok and Pattaya deceived Ugandan women into traveling to Thailand for employment in domestic work and other sectors but then were charged US\$ 7,000 for the journey, had their travel documents seized and were forced into prostitution to pay off their bondage debts.<sup>68</sup> Authorities arrested two suspects including a Ugandan trafficker and apprehended 70 Ugandan women for victim identification screening, through which three Ugandan female trafficking victims were identified. In the other case, Thai authorities rescued two Moroccan women from sexual exploitation in Bangkok as well as 30 Burmese, Vietnamese, and Syrian women who were identified as likely to have been victims of trafficking.<sup>69</sup>

Trafficking for sexual exploitation in the other Mekong region countries is also a persistent and expanding problem. Cambodian women and children and Vietnamese women and children who migrate to Cambodia continue to fall victim to sexual exploitation, often as a result of debt bondage. Organized trafficking networks reportedly traffic some Vietnamese victims through Cambodia for sexual exploitation in Thailand and Malaysia.<sup>70</sup> Almost 200 victims of trafficking for sexual exploitation were detected in Cambodia each year from 2015 through 2017, accounting for almost 63 per cent of all trafficking victims detected in the country during the same period.<sup>71</sup>

In 2017, the Lao Ministry of Public Security identified 44 human trafficking cases, although the total number of convicted offenders is unknown.<sup>72</sup> Domestic trafficking within Lao PDR is reported to primarily involve women and girls forced into prostitution and timber processing factories,

and some Lao women also become victims of sexual exploitation abroad, reportedly most often in Thailand, Viet Nam, Malaysia, China, Taiwan Province of China and Japan.<sup>73</sup>

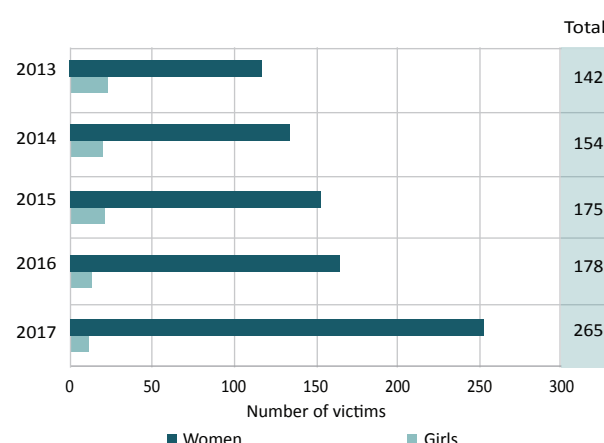
**Figure 20: Victims of trafficking for sexual exploitation and other forms of trafficking within Cambodia, 2015-2017**



Source: Royal Cambodian Government, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018. Data from the National Committee to Combat Trafficking in Persons (NCCT).

The number of female victims of sexual exploitation detected in Myanmar increased each year and more than doubled from 2013 through 2017, to 265 victims in 2017. During the same time, the number of detected victims under the age of 16 years has shown a downward trend.<sup>74</sup>

**Figure 21: Victims of sexual exploitation in Myanmar, by age, 2013-2017**



Source: Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

67 Thailand DSI, "Annual Report 2017", Department of Special Investigation, Ministry of Justice, Bangkok, undated.

68 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

69 Thailand DSI, "Annual Report 2017", Department of Special Investigation, Ministry of Justice, Bangkok, undated.

70 U.S. Department of State, "2018 Trafficking in Persons Report: Cambodia", Office to Monitor and Combat Trafficking in Persons.

71 Royal Cambodian Government, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

72 The National Steering Committee on Anti-Human Trafficking, Lao PDR, "Annual Report on Anti-Trafficking in Persons in the Lao PDR 2017", Unofficial Translation, 09 February 2017.

73 U.S. Department of State, "2018 Trafficking in Persons Report: Laos", Office to Monitor and Combat Trafficking in Persons.

74 Government of Myanmar, responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

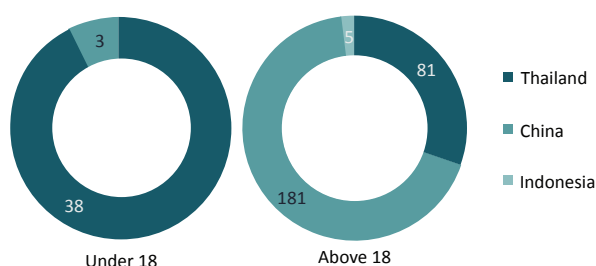
### Trafficking of women for forced marriage

In 2017, Chinese law enforcement authorities facilitated the return of 20 female Lao PDR nationals, three of whom were under 18 years of age, who were trafficked to China for the purpose of forced marriage. The Lao government reports that Chinese nationals sometimes cross the border to recruit women in the northern provinces such as Xieng Khouang and Luang Prabang. With the help of local Lao fixers, they arrange marriages with families for an agreed upon dowry amount, but then leave with the Lao bride back to China having only paid a fraction of the agreed amount.<sup>75</sup>

A number of Myanmar nationals have been arrested in the northern regions of the country for arranging fraudulent marriages in China. Victims are usually promised a monthly sum of money (approximately US\$ 1,000) and a return visit home after a given time period (typically a few months to one year) if they agree to marry a Chinese male. The Myanmar government reported that seven Myanmar females were repatriated from China in 2017 via the Myanmar Embassy in Kunming, China, including four victims sold as brides and two for sexual exploitation, and three Myanmar offenders were arrested for producing fraudulent documents. In December 2017, four Myanmar nationals were arrested at the bus terminal in Kengtung in Shan State for attempting to traffic women into fraudulent marriages in China. In November 2017, one Myanmar national was arrested in Mandalay at a checkpoint on his way to China with three underage girls in his vehicle. In October 2017, two Myanmar nationals were arrested in Kachin State for falsely promising women jobs in Myanmar that did not exist, and then taken to China and forced into marriage.<sup>76</sup>

In one case in Japan, a Japanese male was sentenced to three years imprisonment (however, his sentence was suspended for four years) for forcing three Filipina women to engage in fraudulent marriage with three Japanese men.<sup>77</sup> The Republic of Korea is also a destination for women from Cambodia, the Philippines, Thailand, Viet Nam and China for the purposes of sham marriages to Korean men, some of which have reportedly been subjected to forced labour or sexual exploitation after their arrival.<sup>78</sup>

**Figure 22: Total number of victims repatriated to Myanmar from China, Indonesia and Thailand, by country and age, 2017**



Source: Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", 2018.

There is a stark difference in the proportions of male and female victims repatriated to Myanmar from China, Indonesia and Thailand. Almost all

<sup>75</sup> National Steering Committee on Anti-Human Trafficking, "Annual Report on Anti-Trafficking in Persons in the Lao PDR 2017", Vientiane, February 2017.

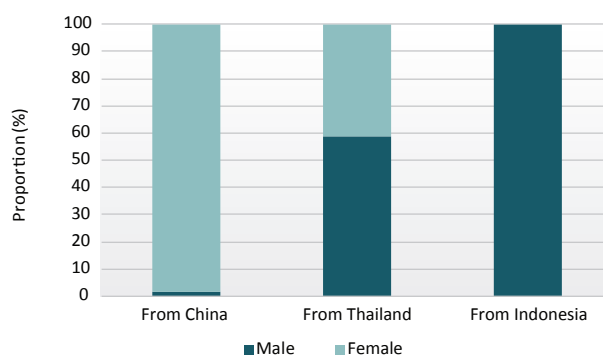
<sup>76</sup> Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", undated.

<sup>77</sup> UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, Japan Ministry of Foreign Affairs, 2017.

<sup>78</sup> U.S. Department of State, "2018 Trafficking in Persons Report: Republic of Korea", Office to Monitor and Combat Trafficking in Persons.

victims repatriated from China in 2017 were female, accounting for 98 per cent of the total repatriated victims from the country (184). About 60 per cent of the total number of repatriated victims from Thailand to Myanmar in 2017 (119) and all five victims from Indonesia were male.

**Figure 23: Portion of victims repatriated to Myanmar from China, Indonesia and Thailand, by nationality and gender, 2017**



Source: Government of Myanmar, "Myanmar Annual Progress Report on Combating Trafficking in Persons 2017", 2018.

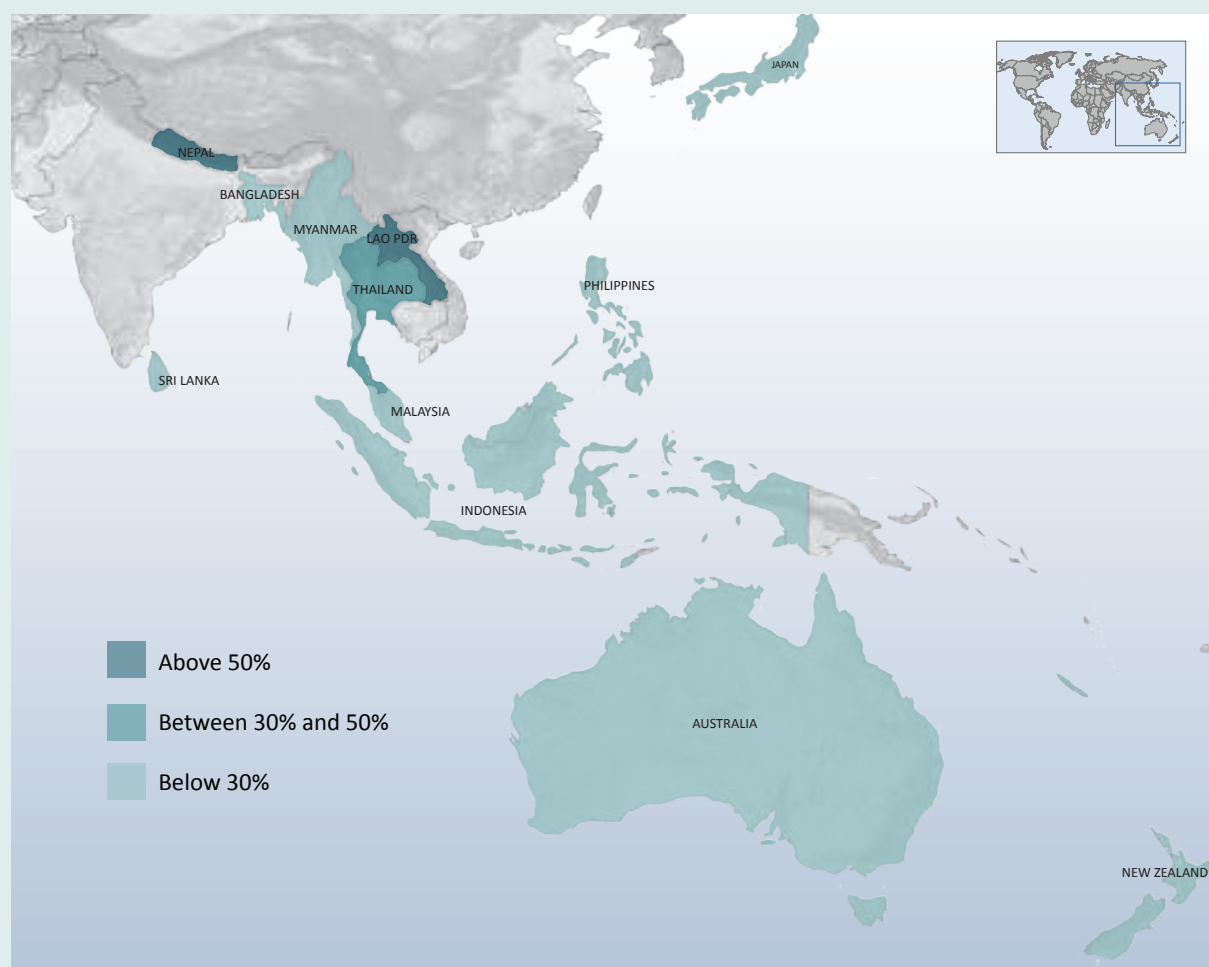


### Trafficking of children for sexual exploitation

The exploitation of both boys and girls primarily for sexual exploitation, but also forced begging persists in Southeast Asia.<sup>79</sup> Several countries in the region are major destinations for child sex tourism, especially popular tourist destinations in Cambodia, Indonesia, the Philippines and Thailand. In 2017, law enforcement authorities in the Philippines monitored 119 sex offender arrivals, the large majority of which were from the United States (57 persons) and Australia (15 persons).<sup>80</sup>

In many cases, children are also trafficked for the purpose of producing child sexual abuse material (CSAM), sometimes also referred to as child sexually explicit materials (CSEM), which are traded on online platforms,<sup>81</sup> as well as the live streaming of sexual abuse of children.<sup>82</sup> Cambodia, the Philippines and Thailand have been reported as important sources of child pornographic material.<sup>83</sup> The Thailand Internet Crimes Against Children (TICAC) Task Force has investigated and arrested offenders of online crimes against children in 67 cases since its inception in December 2015 through 2017 (two cases in 2015, 24 cases in 2016, and 41 cases in 2017), of which 30 cases were related to the possession of pornographic materials and nine cases involved sexual abuse. Of the total number of cases recorded, 18 cases, or 27 per cent of the total, involved trafficking.<sup>84</sup>

**Map 3: Share of children among the total number of detected trafficking victims in Southeast Asia and neighbouring regions, 2016**



Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Source: UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

79 UNODC, "Global Report on Human Trafficking 2018", UNODC, Vienna, December 2018.

80 Philippines National Police, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

81 Europol, "Serious and Organised Crime Threat Assessment: Crime in the age of technology", The Hague, The Netherlands, 2017.

82 ILO and Walk Free Foundation 2017, "Global Estimates of Modern Slavery: Forced Labour and Forced Marriage", International Labour Organization and Walk Free Foundation, in partnership with the International Organization for Migration, Geneva, 2017.

83 Ibid.

84 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

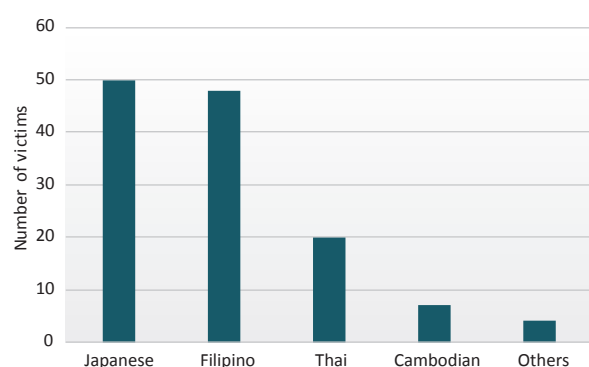


## Trafficking of Southeast Asian women to the rest of the world for sexual exploitation

The sexual exploitation of women from Southeast Asian countries, particularly Thailand, overseas has been a persistent problem, especially in Japan and the Republic of Korea but also in some countries in Europe, the Middle East, and Australia. Men, women and children from Thailand and other Southeast Asian countries travel to Japan where some are subjected to conditions of forced labour or sexual exploitation, including fraudulent marriage. Nationals of Cambodia, Myanmar, Viet Nam and China who have participated in a government-run skills training program in Japan reported being charged as much as US\$ 10,000 in fees, having their passports confiscated and their movements restricted. Some of the participants who absconded have reportedly been subjected to sexual exploitation.<sup>85</sup>

Government data indicate a total of 12 foreign nationals were convicted of human trafficking crimes in Japan from 2014 through 2016, representing some 16 per cent of the total persons convicted (74 persons), of which five were Thai and four were Filipino (the others were from China, Brazil and Taiwan Province of China). During the reporting period, authorities in Japan identified a total of 129 trafficking victims, including 50 from Japan (39 per cent of the total), 48 from the Philippines (37 per cent), 20 from Thailand (15.5 per cent) and seven from Cambodia (5 per cent).<sup>86</sup>

**Figure 24: Number and nationality of human trafficking victims identified in Japan, 2014–2016**



Source: UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, Japan Ministry of Foreign Affairs, 2017.

<sup>85</sup> U.S. Department of State, “2018 Trafficking in Persons Report: Japan”, Office to Monitor and Combat Trafficking in Persons.

<sup>86</sup> UNODC, Questionnaire for the Global Report on Trafficking in Persons 2018, Japan Ministry of Foreign Affairs, 2017.

In February 2017, law enforcement authorities in Thailand arrested three suspects and authorities in the Republic of Korea arrested eight suspects for allegedly luring Thai women into prostitution after offering the women jobs in Thai massage venues in the Republic of Korea.<sup>87</sup>

Thai women are also trafficked to the Middle East for sexual exploitation, with a number of recent cases reported from Bahrain. In 2017, three Thai females were identified and rescued from situations of sexual exploitation at a hotel in Bahrain and one Thai female offender was arrested.<sup>88</sup> Data from the Royal Thai Police indicate that from 2014 through 2017 a total of 30 Thai women were repatriated from Bahrain.<sup>89</sup>

Trafficking victims from East Asia, Southeast Asia, and the Pacific account for less than 10 per cent of the total victims detected in Western and Southern Europe. Most of the detected victims from the regions are nationals of Southeast Asian countries, in particular the Philippines and Thailand and to a lesser extent Viet Nam China. Detections of victims from these countries appear to have become more frequent than in previous years. In addition, repatriation data indicate a trafficking flow from countries in Southeast Asia to Eastern Europe.<sup>90</sup>

In April 2018, German authorities mounted what media reports called the largest mass search in the history of the federal police force, involving more than 1,500 officers, prosecutors and tax officials, in an operation against a human trafficking network that had trafficked Thai women and transgender women into Germany for sexual exploitation. A total of 32 Thai victims were identified, according to media reports. Investigations reportedly found that a Thai woman and her German partner brought victims from Thailand to Germany on tourist visas and then forced them to work in brothels across the country. An additional 56 people were suspected of offenses related to trafficking, sexual exploitation, pimping, withholding of wages and tax evasion.<sup>91</sup>

<sup>87</sup> Thailand DSI, “Annual Report 2017”, Department of Special Investigation, Ministry of Justice, Bangkok, undated.

<sup>88</sup> Royal Thai Police, Thailand country briefing, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

<sup>89</sup> Royal Thai Police response to UNODC 2018 Global Report on Human Trafficking questionnaire.

<sup>90</sup> UNODC, “Global Report on Human Trafficking 2018”, UNODC, Vienna, December 2018.

<sup>91</sup> Reuters, “German police crack down on suspected Thai prostitution ring”, 18 April 2018. Accessed at: <https://www.reuters.com/article/us-germany-crime/german-police-crack-down-on-suspected-thai-prostitution-ring-idUSKBN1HP0J6>.

## Trafficking in the Bay of Bengal

Victims from South Asia – in particular Bangladesh and India – have been detected in Southeast Asia. The Bay of Bengal route connecting South Asia with Southeast Asia is most closely associated with the maritime and overland flows of stateless ethnic Rohingya from western Myanmar and Bangladesh through Thailand to Malaysia and Indonesia. Over 700,000 Rohingya are estimated to have fled conflict in Rakhine to neighbouring Bangladesh since August 2017, in addition to the hundreds of thousands who fled Myanmar over previous decades. Large numbers of Rohingya have been smuggled and some have become victims of trafficking while attempting the journey through Thailand to Malaysia, often with perilous results.<sup>92</sup> This route has seen considerably less traffic as a result of the displacement of ethnic Rohingya from Myanmar in refugee camps near Cox's Bazaar in Bangladesh in 2017 and 2018 and the dismantling of a prominent trafficking network based in Thailand and Malaysia in 2015. The flow has not ceased, however, as some reports indicate that the route through Thailand resumed in 2018.<sup>93</sup> Between September 2017 and September 2018, the IOM Counter Trafficking Programme in Cox's Bazaar identified 99 cases of trafficked and exploited Rohingya, including 26 women and 31 girls, 25 men and four boys in conditions of forced labour. In addition, five women and four girls were found to have been sexually exploited, while four persons did not experience exploitation because they were able to escape before the actual exploitation occurred.<sup>94</sup>

## Profiles of major human trafficking groups and their methods and means

Human trafficking networks in Southeast Asia appear to be not typically organized in a sophisticated manner but more often operate in independent or loosely related groups that handle the various stages of recruitment, transport and

exploitation. This is largely because sophisticated operations are not necessary to connect irregular, smuggled or trafficked migrants with employers in destination countries, especially for trafficking along the short-distance overland routes in the Mekong region.

Recruiters and brokers are usually of the same nationality and often from the same social network as their victims, and live or have lived in the destination country. Some were once trafficking victims themselves and use their knowledge and contacts to bring others into the destination country.<sup>95</sup> Some trafficking networks may also include a variety of employers, travel agencies, border and immigration officials as well as intermediaries who work as transporters, document forgers, accommodation providers and others, usually on a part-time ad hoc basis. Many participate in the trafficking informally and may not engage in any other illegal activities.<sup>96</sup>

Traffickers also commonly rely on document fraud to enable their trafficking activities, particularly for transport along longer distance journeys. This includes the use of fraudulent identity and travel documents as well as the abuse of legal channels such as visa regimes for tourism, study and work visas.<sup>97</sup> Many pay smugglers to facilitate their journey abroad, often on the promise of jobs that do not exist, but because of their economic vulnerability, they are forced into exploitative or slave-like conditions, with the crimes facilitated by fraudulent documentation, corruption and bribery.

Human trafficking also includes the complicity of state officials, and high levels of corruption are believed to drive human trafficking in Southeast Asia. A recent study conducted by UNODC in partnership with the Thai Institute of Justice (TIJ) of human trafficking from Cambodia, Lao PDR and Myanmar to Thailand identified corruption and lack of accountability as critical factors which underpin migration-related crimes at all levels of government.<sup>98</sup> Corruption can

92 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

93 New York Times, "On the High Seas, Keeping Vigil for an Unwanted Minority", 30 May 2018. Accessed at: <https://www.nytimes.com/2018/05/30/world/asia/rohingya-refugee-myanmar-thailand.html>; Reuters, "Rohingya refugee boat restocks after storm in southern Thailand", 01 April 2018.

94 IOM Bangladesh, "Rohingya Refugee Crisis Response. Situation Overview of Human Trafficking", October 2018.

95 UNODC and TIJ, "Trafficking in Persons from Cambodia, Lao PDR and Myanmar to Thailand", UNODC and the Thailand Institute of Justice, Bangkok, August 2017.

96 USAID, "Rapid Assessment Report: Trafficking in Persons Situation in Thailand", report prepared by Social Impact Inc., Bangkok, March 2017.

97 Europol, "Serious and Organised Crime Threat Assessment: Crime in the age of technology", The Hague, The Netherlands, 2017.

98 UNODC, "Trafficking in Persons from Cambodia, Lao PDR and Myanmar to Thailand", UNODC and the Thailand Institute of Justice, Bangkok, August 2017.

exist at all stages of the trafficking journey, ranging from recruitment, transportation and exploitation at the destination workplace. Traffickers may bribe border and immigration officials to facilitate the entry of trafficking victims or at-risk smuggled migrants who may later face exploitation. In Myanmar and China, for example, some government officials reportedly are involved in recruiting forced labour for state-sponsored infrastructure projects.<sup>99</sup> Corrupt law enforcement officials may ignore evidence of trafficking or even actively participate in the crime while some criminal justice officials may be complicit in undermining or delaying the investigation, prosecution and adjudication of trafficking cases for their own benefit.<sup>100</sup> In some cases reported from Cambodia, Lao PDR and Myanmar, illegal recruiters have preyed upon returning and deported migrants from Thailand who lack sustainable employment and livelihood assistance, making them vulnerable to traffickers.<sup>101</sup>

A number of human trafficking cases involving public officials in Thailand provide illustrative examples of how corruption facilitates this illegal trade. Of the 155 suspects charged with criminal offenses in 2017 related to the trafficking, detention and extortion of ethnic Rohingya from Myanmar through Thailand to Malaysia, 22 were public officials. The Anti-Money Laundering Office seized assets worth more than US\$ 7 million from the offenders. Prior to 2017, a total of 44 public officials were found to have been involved in trafficking in persons, 16 of whom were subsequently expelled from government service.<sup>102</sup> The large body of evidence implicating government officials in human trafficking supply chains in Thailand is in part a product of the high level of corruption along these routes; but it is also a reflection of the capacity of Thai law enforcement, criminal justice and data collection mechanisms related to human trafficking.

99 Jay Song, "Australia and the Anti-Trafficking Regime in Southeast Asia," Lowy Institute, 15 November 2016; Richard Finney, "Government Complicity Slows Progress on Trafficking in RFA Broadcast Countries: Report", Radio Free Asia, 30 June 2016 Accessed at: <https://www.rfa.org/english/news/myanmar/complicity-06302016162314.html>.

100 Julius Cesar Trajano, "Combatting Human Trafficking in East Asia: Mind the Gaps", S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore, RSIS NTS Insight, no. IN18-05, July 2018.

101 UNODC, "Trafficking in persons from Cambodia, Lao PDR and Myanmar to Thailand", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, 2017.

102 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

Corrupt officials in other Southeast Asian countries are also complicit or play active roles in trafficking and smuggling networks. For example, two police officers were charged with trafficking for sexual exploitation in the Philippines in a 2016 case involving the online sexual exploitation of minors, and numerous other trafficking cases in the Philippines in recent years are reported to have involved ministry officials, immigration officials and law enforcement officers.<sup>103</sup> However, concrete evidence of specific instances, individuals involved and methods used, remains limited.

## Looking ahead

In some countries in Southeast Asia, there has been an overall increase in the detection of victims of trafficking in persons. In countries such as Thailand, where the number of detected victims increased after legislative or programmatic action, have clearly contributed to improving the identification of victims and the effectiveness of criminal justice responses. In some countries, however, impunity still prevails, as shown by the low levels of victim detections and trafficker convictions recorded in parts of the region.

A number of human trafficking victims continue to be irregular migrants who are exploited at some point in their migration journey or during their illegal residence in the destination country. Despite efforts to regularize migration in Southeast Asia, the majority of migrant workers continue to live and work in a precarious legal status that is almost entirely at the discretion of their employers.<sup>104</sup> Policy responses by governments in the region continue to leave migrants vulnerable to exploitation and uncertain of their status, circumstances which prevent many from receiving fair wages and working conditions. In the fishing sector, for example, efforts to combat human trafficking have resulted in the enforcement of a stringent regulatory regime, but many indicators suggest that severe abuses continue to take place within the industry. Moreover, the disproportionate attention on Thailand's fishing industry has diverted concern about migrants trafficked or exploited in other sectors such as agriculture,

103 U.S. Department of State, "2017 Trafficking in Persons Report: Philippines", Office to Monitor and Combat Trafficking in Persons.

104 United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.

construction and domestic work, which continue to be characterized by high levels of informality, unfair wages, substandard working and living conditions, and persistent problems with child labour.<sup>105</sup>

In Southeast Asia's commercial sex industry, employment is not covered by national labour laws and is instead considered a criminal act. Migrant sex workers in the region are continually confronted with the threat of harassment and arrest due to the criminalization of their work, severely damaging their ability to earn a livelihood and support their families. Thus far, the implementation of anti-trafficking interventions has done little to change these conditions.

The high level of illicit revenues generated by human trafficking for transnational organized crime groups in origin, transit and destination countries will continue to drive human trafficking in the region, while the governance and law enforcement challenges in the region and the increasing ease with which these groups can flourish will likely allow the trafficking in persons in Southeast Asia to grow.

### Policy options and responding

There is a strong need for more effective recruitment and migration management systems for labour migration throughout Southeast Asia. Until these systems and frameworks are strengthened, migrant workers will remain vulnerable to exploitation and trafficking at various stages of the migration process and across different sectors of work. In this regard, it is increasingly being recognized that the private sector also has a critical role to play. To improve the protection of migrant workers, businesses must work to change exploitative business practices. At the same time, governments need to provide more meaningful oversight, regulation and effective action, which includes establishing meaningful partnerships with trade unions and civil society organisations.

There is a strong need for a coordinated law enforcement and criminal justice action against trafficking that targets the prosecution and conviction of criminals who exploit desperate people.

Governments in the region should strengthen the capacity of border authorities, in particular BLOs and maritime authorities along established and emerging trafficking routes, to detect trafficking and assist victims. It is also imperative that anti-trafficking responses are embedded into wider migration and development frameworks that promote safe migration as well as the protection and assistance of human trafficking victims and survivors, especially for the trafficked children, by providing specialized and comprehensive services. To achieve this, a multi-faceted approach to anti-trafficking is required. All relevant stakeholders from across government (e.g. police, immigration, labour inspectorate, social development, health, and education departments), civil society and the private sector need to be involved in preventing and responding to trafficking.

Prevention measures should be strengthened through raising awareness, including targeting groups of vulnerable populations that are at risk of becoming victims of trafficking. Prevention strategies should also include measures addressing the root causes and risk factors that increase the vulnerability of women, men, girls and boys. Governments should also review and amend anti-trafficking laws, policies, and frameworks that perpetuate systemic discrimination against certain groups and minorities and increase the risk of trafficking.

Lastly, governments in the region must take further initiative to fully implement the ASEAN Convention against Trafficking in Persons, Especially Women and Children, as well as the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, which is a supplement to the United Nations Convention against Transnational Organised Crime.

<sup>105</sup> United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.





## **Smuggling of Migrants**







## Smuggling of Migrants

### Overview of the situation

Corruption among government officials and private employers in Southeast Asia is a major contributor to the smuggling of migrants across international borders. Corrupt practices can involve small amounts of cash paid directly to border guards or larger amounts for higher-ranking bureaucrats, depending on the resources available and the smugglers' capacity to reach out to officials.<sup>1</sup> The smuggling of Southeast Asian nationals to destinations outside of the region remains a problem, and data indicate that a growing number of Southeast Asian nationals are staying illegally in Japan and the Republic of Korea, which is increasing the demand for the services of smugglers. Smugglers now increasingly recruit migrants and communicate with other smugglers through mobile platforms and social media services, especially Viber, WhatsApp and Facebook.<sup>2</sup> Efforts to counter the smuggling of migrants is not only a criminal concern but is also a matter of protecting the fundamental rights of migrants. The UN Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the Convention against Transnational Organised Crime, and the Global Compact for Safe, Orderly and Regular Migration are both designed to support international cooperation on the governance of international migration and combat migrant smuggling.

<sup>1</sup> UNODC, "Global Study on Smuggling of Migrants 2018", UNODC, June 2018.

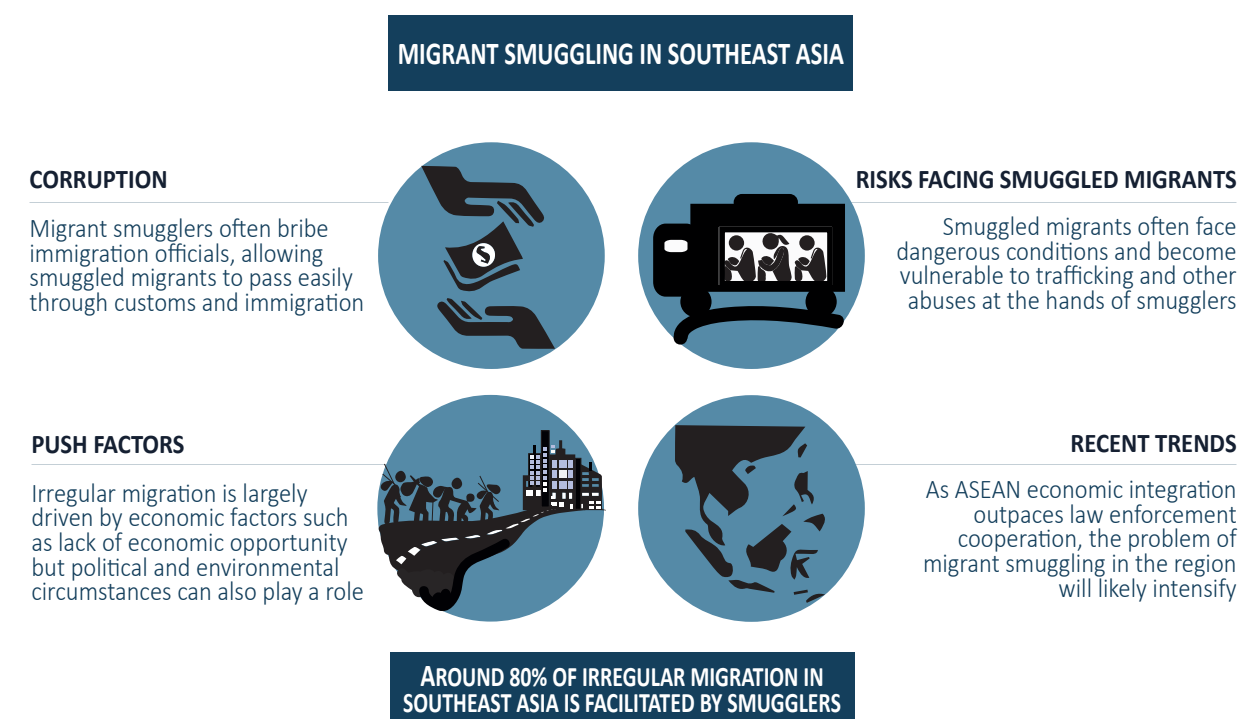
<sup>2</sup> Ibid.

### Nature of the market

Where formal migration channels are difficult to access, those seeking asylum or better economic opportunities may have little choice but to rely on smugglers to reach transit and destination countries. With the advancement of various economic integration initiatives aimed at forging stronger economic and social connectivity among Southeast Asian countries, legal migration channels have become less expensive. However, migrants often find that smuggling remains a cheaper, less bureaucratic and otherwise easier option. Borders can be traversed without much difficulty and fees for facilitating short distance migration range from just a few dollars to a few hundred dollars.<sup>3</sup> Many smugglers also have an additional advantage of being able to provide employment and accommodation in the destination country.

The main reason for migration in Southeast Asia is the lack of livelihood opportunities in the country of origin and the prospects of a better life abroad. However, some seek the services of smugglers because they are fleeing persecutions or

<sup>3</sup> An ILO and IOM survey of migrant workers in Thailand and Malaysia found regular migrants paid an average of US\$ 572 to migrate, compared to US\$ 247 for irregular migrants. Women paid an average of US\$ 400, which was less than the average fee paid by men of US\$ 459. Benjamin Harkins, Daniel Lindgren and Tarinee Suravoranon, "Risks and rewards: Outcomes of labour migration in South-East Asia", International Labour Organization, International Organization for Migration and Rapid Asia, Bangkok, 2017.

**Figure 1: Overview of migrant smuggling in Southeast Asia**

Source: UNODC, “Smuggling of migrants”, undated. Accessed at: <https://www.unodc.org/southeastasiaandpacific/en/what-we-do/toc/smuggling-of-migrants.html>.

environmental crises,<sup>4</sup> or because they are trying to reunite with family members abroad.

Most migrants in Southeast Asia appear to be smuggled to countries within the region, but large numbers are also smuggled to Europe, North America and other regions. Hong Kong, China, Saudi Arabia and the United Arab Emirates are popular destinations for smuggled migrants from Southeast Asia, especially the Philippines and Indonesia.<sup>5</sup> A number of Southeast Asian countries are also destinations for migrants smuggled from Southwest Asia and South Asia.<sup>6</sup>

In most cases, migrants are smuggled as a short-term strategy to support families in their origin country, with the intention to eventually return home once they have saved enough money. Other

migrants intend to secure longer-term employment and residency in the destination country, and sometimes to also facilitate the later migration of other family members.

The smuggling of migrants occurs when individuals and groups participate in “the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or permanent resident.”<sup>7</sup> However, many irregular migrants are deceived or exploited by their smugglers in transit and/or at destination countries and exposed to a range of abusive conditions, including trafficking, physical or sexual abuse, kidnapping, extortion, and death through lack of access to medicines, dehydration, starvation and/or other causes. In certain instances, particularly those that involve longer distance routes from Asia to Europe and North America, migrants take on high financial risks, selling assets or placing themselves at the mercy of lenders or brokers who may demand exorbitant interest or cheap labour from the borrowers and subject them to severe repayment tactics.<sup>8</sup>

4 In some parts of Asia and the Pacific, including Southeast Asia, environmental factors such as earthquakes, floods and typhoons frequently cause large-scale internal displacements that lead to irregular migration and migrant smuggling. In addition, a growing body of literature warns of the immediate and long-term effects of climate change and rising sea levels that will impact many coastal areas, especially in South Asia and the Pacific region. These factors are likely to cause further displacement at currently unpredictable levels. UNODC, “Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II”, UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

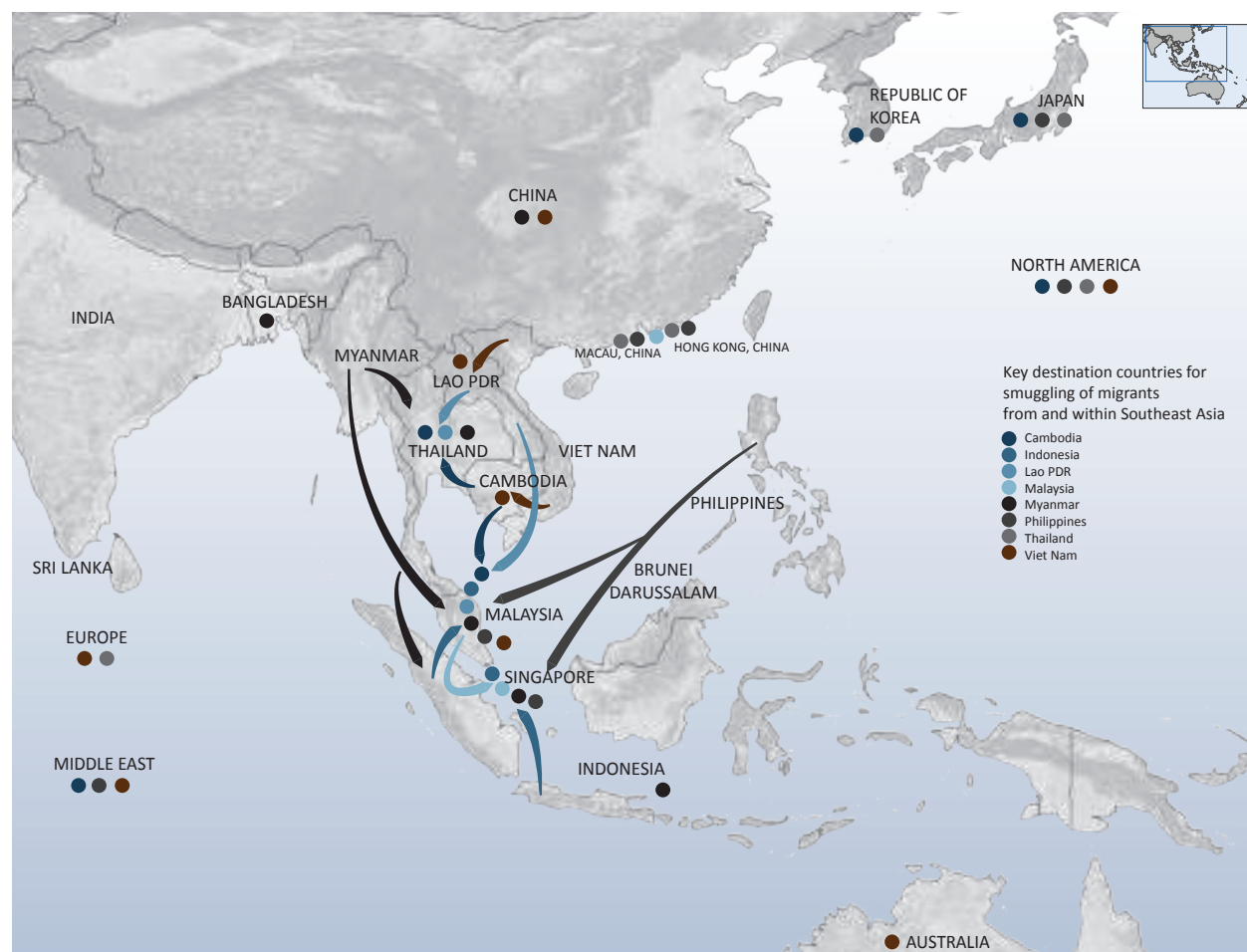
5 UNODC, “Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II”, UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

6 Ibid.

7 Protocol against the Smuggling of Migrants by Land, Sea and Air, opened for signature 15 December 2000, 2225 UNTS 209 [hereafter Smuggling of Migrants Protocol], article 3.

8 UNODC, “Migrant Smuggling in Asia: Current Trends and Related Challenges”, UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

**Map 1: Popular destination countries in Asia, North America and Oceania for the smuggling of migrants from Southeast Asia**



Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Source: UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018; UNODC elaboration of data provided by national governments.

Populations displaced by political factors such as persecution, violent conflict, discrimination, or statelessness are particularly vulnerable to exploitation. A recent example of this is the 2015 Bay of Bengal crisis and the related conflict in western Myanmar, which has driven more than one million ethnic Rohingya across the land border into Bangladesh. Some use smugglers to continue on boat journeys primarily to Malaysia but also Thailand and Indonesia, a large number of which are at risk of being segregated and forced to pay ransom by smugglers. According to the United Nations High Commissioner for Refugees (UNHCR), thousands of refugees and migrants have been abandoned by people smugglers in the Bay of Bengal and Andaman Sea.<sup>9</sup> This crisis has led to a

9 UNHCR, "South-East Asia: Mixed Maritime Movements", April-June 2015..

new international focus on combating the crime of migrant smuggling in the ASEAN region.<sup>10</sup>

Migrants smuggled by sea are exposed to deadly risks, especially if they travel on unseaworthy vessels through storms without sufficient food, water, life vests, or navigational equipment. Vessels can run out of fuel, become lost, suffer engine failure or sink. To maximise their profits, knowing that law enforcement and border control agencies will seize or destroy the vessel if the clandestine journey is detected, smugglers typically crowd as many people as possible onto old and inexpensive vessels. A number of smuggling boats have sunk or

10 A number of high-level regional meetings were held to discuss the problem, and called for better regionwide cooperation and information-sharing between criminal justice practitioners. In the Kuala Lumpur Declaration of September 2015, ASEAN officially decided to include migrant smuggling as one of the transnational crimes that falls under its purview.

capsized, leading to the deaths of several hundred smuggled migrants and asylum seekers.<sup>11</sup> Along the smuggling routes from Asia to Europe and North America, there have also been some reports of migrants dying inside shipping containers.<sup>12</sup>

Smuggling overland can also be hazardous, especially if migrants travel on foot through harsh terrain or weather conditions. In some reported cases, smugglers have abandoned migrants travelling overland in isolated areas, often without food and water or guidance on where to go. Cases of dehydration and suffocation are commonly reported when smuggled migrants are concealed in a sealed compartment in a car, truck or bus without sufficient food or water or ventilation.<sup>13</sup>

The cost of smuggling varies greatly across Southeast Asia depending on destination, methods, routes, distance, and time spent in transit countries. Smuggling fees may also be influenced by factors relating to supply and demand, competition from other smugglers, and obstacles created by border control, and migration policies in destination countries. Shorter, less expensive smuggling journeys tend to be paid in cash directly to smugglers or to one of their agents. Transfers of larger funds are often made through formal banks or through alternative systems. Some smuggled migrants run out of money during the journey and must therefore remain in the transit country to try to find irregular employment, including work as smugglers, to finance their onward travel.<sup>14</sup>

The fees charged, particularly for long distance journeys, can create a substantial liability for the migrants and sometimes also their families. In many cases, migrants borrow money from relatives and friends, but also from banks, moneylenders or smugglers, which leaves them vulnerable to debt bondage and exploitation.<sup>15</sup> Women are particularly vulnerable to exploitation along the smuggling journey. In many parts of Asia, women do not have the same access to education, employment opportunities, or legal avenues of migration as men.

Gender discrimination in countries of origin and obstacles to legal migration often push women to migrate along higher-risk routes,<sup>16</sup> which may lead to further discrimination in destination countries. Women also face additional risks as they are commonly concentrated in undervalued low-skilled and low-paid occupations such as domestic work, which in most cases is an unregulated and informal sector with little or no legal protections. In these conditions, women are particularly vulnerable to forced labour, extortion, debt bondage and violence.<sup>17</sup>

### Smuggling from Mekong countries to Thailand

Due to their relative economic prosperity and continued labour shortages, Thailand and Malaysia are two of the principal destination countries for smuggled migrants within Asia, especially for smuggled migrants from other parts of Southeast Asia and South Asia, the large majority of which work in low-skilled or unskilled jobs. In Thailand, the number of non-Thai residents within the country has increased from an estimated 3.7 million in 2014 to 4.9 million in 2018. Of these, approximately 3.9 million, or 80 per cent, are migrant workers from Cambodia, Lao PDR, Myanmar and Viet Nam, including roughly 3.1 million legal migrants and 800,000 irregular migrants.<sup>18</sup> Thailand is also a destination for migrants smuggled from China and India as well as several African countries.

Migrant smuggling routes to Thailand are well established and have not changed significantly over time, with migrants typically smuggled across formal border crossings or along smaller roads and smuggling routes which traverse the border, which includes vast stretches of mountains, rivers and densely forested areas.

Thai authorities report that from 2012 to 2017 between 63,000 and 132,000 irregular migrants from Myanmar were apprehended each year attempting to enter Thailand.<sup>19</sup> Although the portion

11 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

12 UNODC "Migrant Smuggling in Asia: Current Trends and Related Challenges", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

13 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

14 Ibid.

15 Ibid.

16 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

17 Particularly in countries which have not ratified the International Labour Organisation Convention 189, which guarantees domestic workers the same rights as other workers.

18 United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.

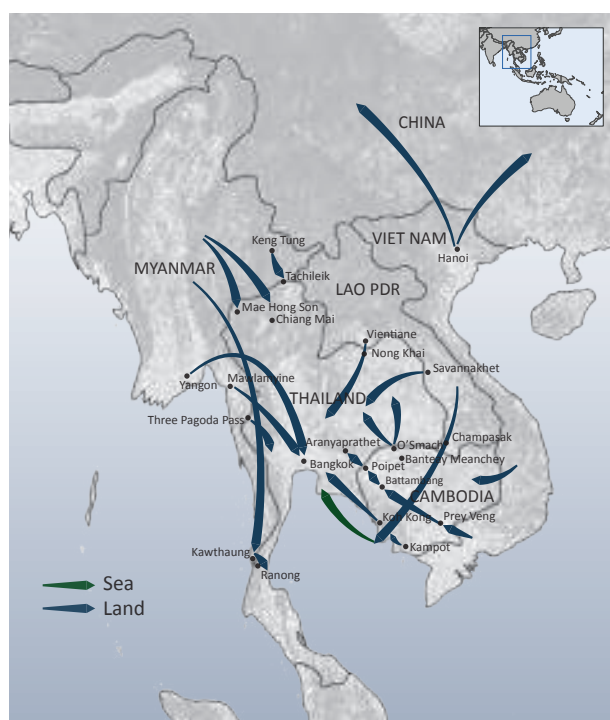
19 Government of Thailand 2017, response to questions by UNODC relating to smuggling of migrants in Asia and the Pacific.



of these migrants who are smuggled is unknown,<sup>20</sup> previous UNODC data indicates that more than 80 per cent of irregular Myanmar migrants to Thailand used the services of smugglers to facilitate their journey.<sup>21</sup>

The average cost of smuggling services for Myanmar migrants coming to Thailand is roughly US\$ 400,<sup>22</sup> amounting to several month's wages in Thailand and substantially more than relative to their incomes in Myanmar.<sup>23</sup>

## Map 2: Key migrant smuggling routes from neighbouring countries to Thailand



Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Sources: UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018; UNODC elaboration of data provided by national governments.

20 Since 2002-2003, the Royal Thai Government signed Memoranda of Understandings (MOUs) with the governments of Cambodia, Lao PDR and Myanmar to establish channels for regular labour migration to Thailand. However, establishing the bilateral process to implement the MOUs was delayed for many years, and today only a small portion of migrants enter Thailand through the MOU process due to the complicated, lengthy and expensive procedures involved. United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.

21 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

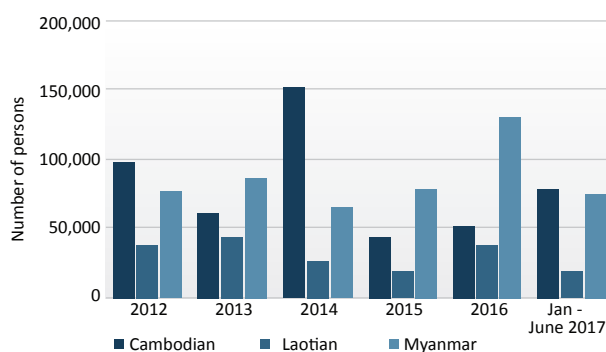
22 Benjamin Harkins, Daniel Lindgren and Tarinee Suravoranon, "Risks and rewards: Outcomes of labour migration in South-East Asia", International Labour Organization, International Organization for Migration and Rapid Asia, Bangkok, 2017.

23 United Nations Thematic Working Group on Migration in Thailand, "Thailand Migration Report 2019", Benjamin Harkins (ed.), Bangkok, 2019.

Many Cambodian migrants appear to use smuggling services to travel to Thailand, as the fee (typically around US\$ 150) for smuggling from Cambodia to Thailand is considerably less expensive than the cost of a passport and legal migration channels. Thai government data indicate that between 41,000 and 151,000 Cambodian nationals are detected each year attempting irregular entry into Thailand,<sup>24</sup> of which roughly 28 per cent are estimated to have used smuggling services.<sup>25</sup>

Between 18,000 and 43,000 Lao nationals are detected each year attempting to enter into Thailand irregularly.<sup>26</sup> Lao migrants are vulnerable to exploitation in the commercial sex trade, garment factories, domestic services, agricultural and construction industries and the fishing and seafood sectors.<sup>27</sup> In addition, Lao PDR is also an important transit country for irregular migrants from neighbouring countries on their journey to Thailand. There is generally limited data about smuggling methods and patterns, but smuggled migrants from Lao PDR to Thailand are reported to pay roughly US\$ 150 for the journey; however, some 15 per cent of smuggled Lao migrants may have paid up to US\$ 400 or more.<sup>28</sup>

Figure 2: Illegal entries detected into Thailand, by selected nationality, 2012-2017 (June)



Sources: UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018, based on Government of Thailand 2017, response to questions by UNODC relating to smuggling of migrants in Asia and the Pacific.

24 Government of Thailand 2017, response to questions by UNODC relating to smuggling of migrants in Asia and the Pacific.

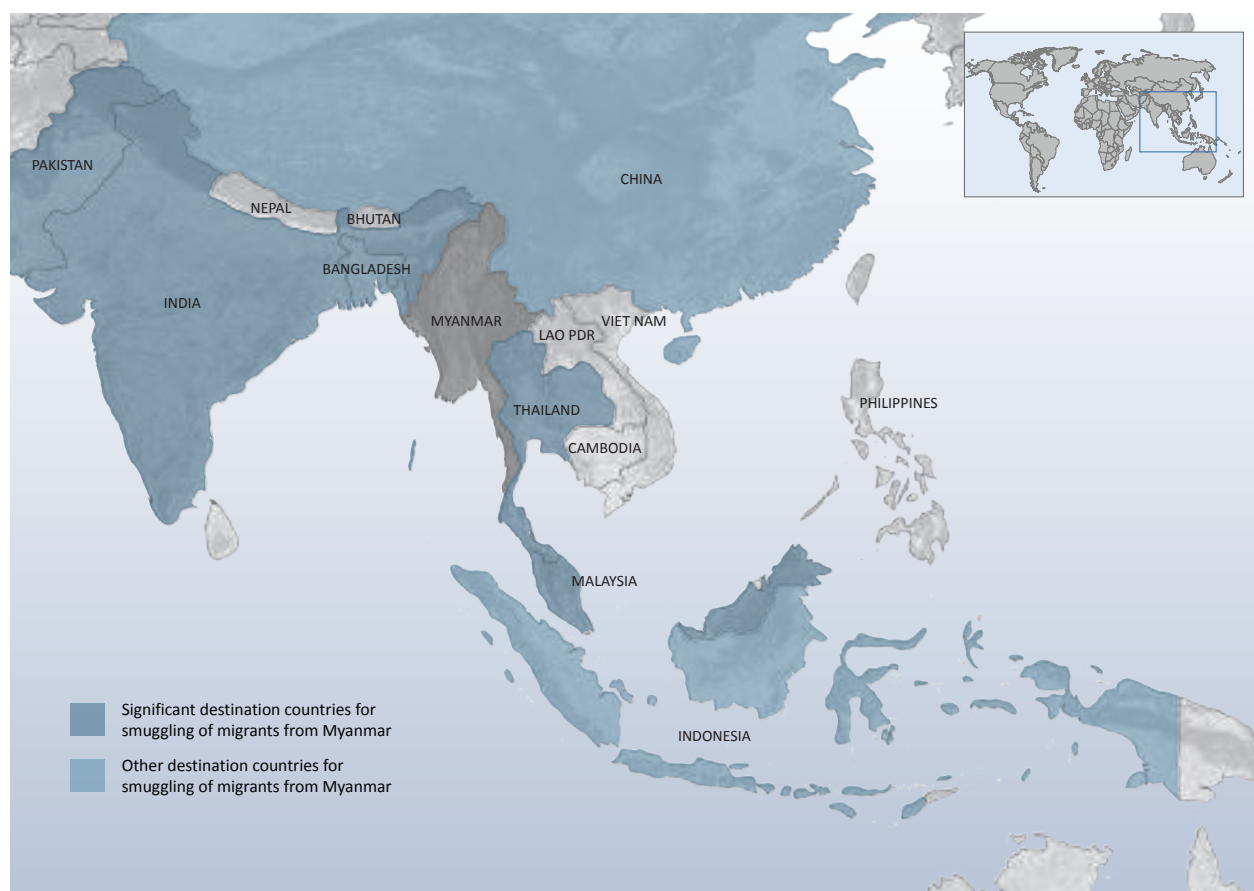
25 Benjamin Harkins, Daniel Lindgren and Tarinee Suravoranon, "Risks and rewards: Outcomes of labour migration in South-East Asia", International Labour Organization, International Organization for Migration and Rapid Asia, Bangkok, 2017.

26 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

27 UN-ACT, Lao PDR National Trafficking Trends, undated. Accessed at: <http://un-act.org/lao-pdr/>.

28 IOM, "Assessing Potential Changes in the Migration Patterns of Laotian Migrants and Their Impacts on Thailand and Lao People's Democratic Republic" International Organization for Migration, Country Mission Thailand, 2016.



**Map 3: Popular destination countries in Asia and the Pacific for smuggled migrants from Myanmar**

Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations.

Source: UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

### Smuggling from Southeast Asia to Malaysia

Malaysia experiences high levels of labour-related irregular migration, particularly from Indonesia and the Philippines as well as from Myanmar and Bangladesh.<sup>29, 30</sup> A significant portion of these flows appears to involve illicit means to enter and/or to remain in the country.<sup>31</sup>

29 Estimates of the number of foreign workers in Malaysia vary widely. The official figure dropped sharply from 6.7 million in late 2014 to 3.8 million in 2016. By contrast, the Malaysia Labour Force Survey reports that the number of documented and undocumented foreign workers increased from 1.8 million in 2013 to 2.2 million in 2016. Lee Hwok-Aun and Khor Yu Leng, "Counting Migrant Workers in Malaysia: A Needlessly Persisting Conundrum", ISEAS Yusof Ishak Institute, Perspective Issue 2018, No. 25, Singapore, 25 April 2018.

30 Royal Malaysian Police, Malaysia country presentation, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

31 UNODC, "Migrant Smuggling in Asia: Current Trends and Related Challenges", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015 Anne Gallagher and Mary McAuliffe, "South-East Asia and Australia", in *Migrant Smuggling Data and Research: a global review of the emerging evidence base*, pp. 211-241, International Organization for Migration, Geneva, 2016.

More than half of all smuggled migrants detected in Malaysia from 2013 through 2018 were nationals of Indonesia. Almost 28 per cent were from Myanmar, 8.5 per cent were from Bangladesh and 6 per cent were from the Philippines. Men accounted for more than three-fourths (77 per cent) of all smuggled migrants detected in Malaysia during the five-year period. The portion of underage boys and girls detected in 2017, the only year for which data are available, was roughly equal, and together accounted for 7.6 per cent of the total number of smuggled migrants in the country during the year.<sup>32</sup>

From 2013 through 2018, the number of smuggled migrants detected in Malaysia has shown a downward trend since it peaked in 2014. However, the number of cases and arrests of smuggled migrants during that period has shown an overall increasing trend, which may indicate that Malaysian

32 Malaysia Government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018; Royal Malaysia Police, "Human Trafficking & People Smuggling in Malaysia", presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

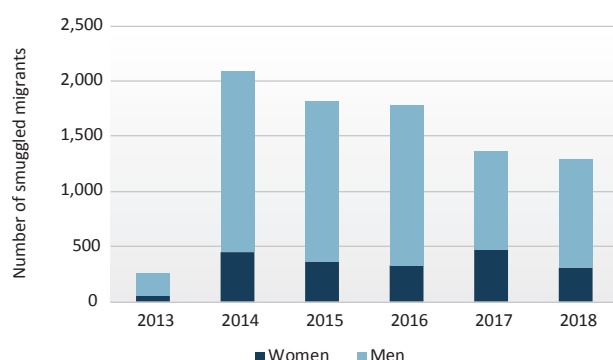
law enforcement is more efficiently combating this form of crime<sup>33</sup> or that its efforts are driving the trade further underground.

**Table 1: Number of smuggled migrants brought into formal contact with authorities in Malaysia, by country of origin, 2013-2018**

Year	Top	Second	Third	Fourth	Fifth
2013	Myanmar (188)	Bangladesh (20)	Somalia (12)	Philippines (11)	Sudan (11)
2014	Indonesia (912)	Myanmar (734)	Bangladesh (247)	Turkey (102)	Philippines (63)
2015	Indonesia (1,001)	Myanmar (585)	Bangladesh (116)	Philippines (39)	Cambodia (16)
2016	Indonesia (1,292)	Myanmar (276)	Bangladesh (172)	Philippines (33)	Cambodia (6)
2017	Indonesia (749)	Myanmar (251)	Philippines (295)	Bangladesh (59)	Syria (1)
2018	Indonesia (503)	Myanmar (347)	Bangladesh (187)	Philippines (185)	Viet Nam (33)

Source: Malaysia Government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

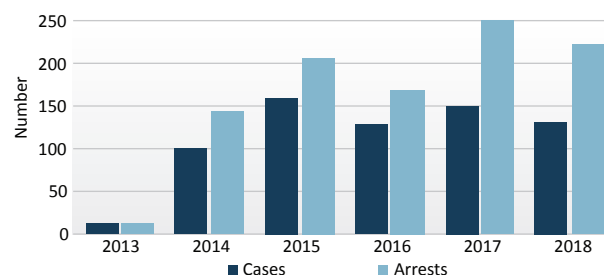
**Figure 3: Number of smuggled migrants brought into formal contact with authorities in Malaysia, by gender, 2013-2018**



Sources: Malaysia Government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018; Royal Malaysia Police, Malaysia country report, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

33 Malaysia's 2007 Anti-Trafficking in Persons Act was amended in 2010 to include crimes associated with migrant smuggling and was renamed the Anti-Trafficking in Persons and Anti-Migrant Smuggling Act. Further amendments in 2015 increased criminal enforcement against traffickers and smugglers. Under the Act, smuggled migrants – unlike human trafficking victims – may be prosecuted for illegal entry, unlawful residence or procurement of fraudulent travel or identity documents. Liberty Asia, "Legal Gap Analysis of Anti-Trafficking Legislation in Malaysia", 2018. Accessed at: [http://freedom.collaborative.prod.s3.amazonaws.com/GapAnalysis\\_Malaysia\\_20180312.pdf](http://freedom.collaborative.prod.s3.amazonaws.com/GapAnalysis_Malaysia_20180312.pdf).

**Figure 4: Number of migrant smuggling cases and arrests in Malaysia, 2013-2018**



Sources: Malaysia Government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018; Royal Malaysia Police, Malaysia country report, presented at the UNODC Transnational Organized Crime Threat Assessment for South-East Asia Consultative Workshop, Bangkok, January 2019.

Smuggling to Malaysia frequently occurs by boat from Indonesia, Cambodia and Myanmar, or overland through Thailand. The latter route has been a common method to take smuggled migrants from Bangladesh and Myanmar, including ethnic Rohingya, into Malaysia, where most intend to search for work within Rohingya communities in Kuala Lumpur or Penang or proceed to Indonesia.<sup>34</sup>

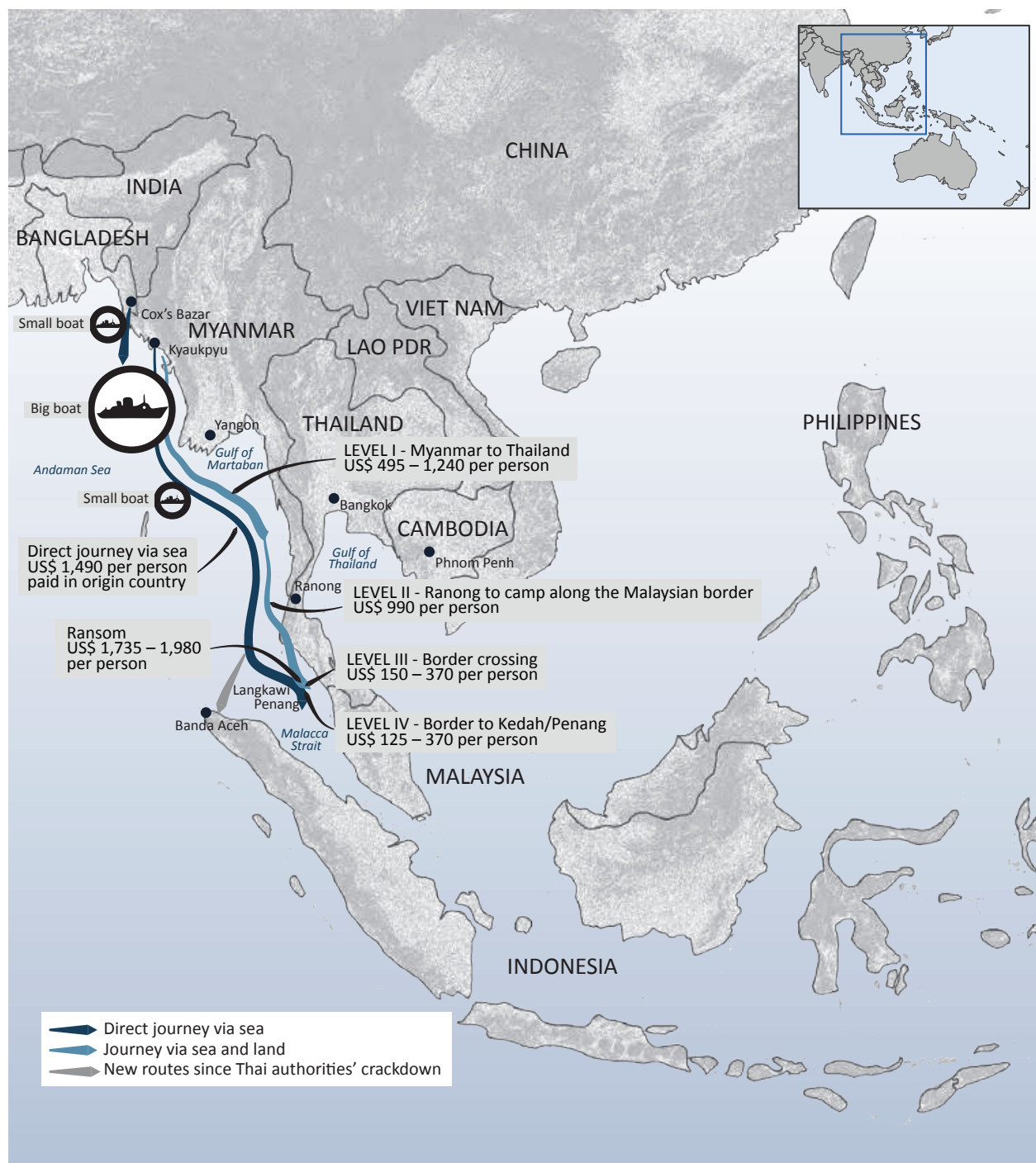
The most common route used to smuggle Rohingya by sea to Thailand and Malaysia had been by boats across the Bay of Bengal and Andaman Sea to the southernmost parts of Thailand or to ports on the Malaysian side of the border. The UNHCR estimates that between 2012 and 2015, some 170,000 refugees and migrants departed from Myanmar and Bangladesh by boat, with the journeys typically facilitated by smugglers.<sup>35</sup> Smuggled Rohingya are charged various fees for each leg of the journey, and during their onward travel to Malaysia, many have been separated from others depending on whether they or their relatives were able to make extortion payments to smugglers and traffickers.<sup>36</sup>

34 UNODC, "Migrant Smuggling in Asia: Current Trends and Related Challenges", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

35 United Nations High Commission for Refugees, "Mixed maritime movement in South-East Asia in 2015", UNHCR Regional Office for South-East Asia, February 2016; United Nations High Commission for Refugees, International Organization for Migration and United Nations Office on Drugs and Crime, "Bay of Bengal and Andaman Sea: proposals for action", May 2015.

36 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018; UNHCR, "South-East Asia Irregular Maritime Movements, January – November 2014", UNHCR Regional Office for South-East Asia, Bangkok, undated; Royal Malaysia Police, "Human Trafficking & People Smuggling in Malaysia", presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

**Map 4: Primary human trafficking and migrant smuggling routes and fees for smuggled Rohingya migrants from the Bay of Bengal to Malaysia**



Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Source: Royal Malaysia Police, "Human Trafficking & People Smuggling in Malaysia", presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018.

These flows slowed considerably after Malaysia and Thailand enacted stricter immigration and law enforcement controls in 2015, although there are indications that these routes are resuming. These actions have diverted some maritime smuggling

routes from the Andaman Sea to Indonesia's Aceh province, and may have diverted some flows to other destination countries, such as India.<sup>37</sup> In addition, the outbreak of violence in Rakhine State

37 UNHCR, "Rohingya Emergency", undated. Accessed at: <http://www.unhcr.org/rohingya-emergency.html>.

in August 2017 resulted in nearly 500,000 people leaving Myanmar in the course of one month, a situation which also likely increased the demand for smuggling services to facilitate journeys to Malaysia and Indonesia.<sup>38</sup> UNHCR estimates that between 25 August 2017 and 15 March 2019, some 741,014 Rohingya refugees travelled overland, on foot, or across the Naf River to Bangladesh to seek safety, many in the refugee camps of Kutupalong and Nayapara in Cox's Bazar.<sup>39</sup>

According to UNHCR, the estimated cost for smuggling services for a Rohingya refugee by sea between 2017 and 2018 was at most US\$ 1,700, similar to the figure reported from Malaysian authorities (US\$ 1,490 per refugee).<sup>40</sup>

The smuggling of Indonesian migrants to Malaysia typically involves either travelling by boat from Sumatra across the Strait of Malacca to the Malay Peninsula, often making stops in the Riau Islands of Indonesia before continuing their journey to Malaysia. Another widely used route involves migrants smuggled in boats from Indonesia (in particular ethnic Bugis from South Sulawesi<sup>41</sup>) or along overland routes from Kalimantan, the Indonesian part of Borneo, to Sabah and Sarawak states in Malaysia. Smuggled Indonesian migrants have been transported to Malaysia by regular passenger boats, fishing vessels, or hidden in cargo containers on boats,<sup>42</sup> sometimes with fraudulent identity documents provided by their smugglers.<sup>43</sup>

Some nationals of the Philippines and Cambodia are also smuggled to Malaysia for labour-related migration. Migrants from the Philippines have been known to be smuggled to Malaysia either by sea, beginning from the islands of Sulu and Palawan in southwestern Philippines and onwards to

Sabah<sup>44</sup> or to Malaysia by direct air travel, although information is scarce related to this latter method.<sup>45</sup> The smuggling of Cambodian migrants to Malaysia typically involves overland travel through Thailand, a journey which can take up to three days.<sup>46</sup>

## Smuggling from and through Southeast Asia to Australia, Japan, the Republic of Korea and the United States

### From Southwest Asia through Southeast Asia to Australia

Prior to mid-2013, Australia had been a significant destination for irregular migrants and asylum seekers from Southwest Asia and South Asia (primarily Sri Lanka), often transiting through Southeast Asia. The journey usually involved smuggling by air from these regions to Southeast Asian countries, and by land and sea to Malaysia and Indonesia. The use of fraudulent documents appears to be common along these routes.<sup>47</sup> These flows were quite complex, and have included Afghans, Iranians, Iraqis and Pakistanis who travelled directly by air to Kuala Lumpur or to Indonesia, or sometimes via the Gulf States or Bangkok.<sup>48</sup> The journey from Malaysia to Indonesia typically involved smuggling by private boats or ferry to Sumatra, and southwards to Indonesia's main island of Java, where migrants and asylum seekers would board vessels bound for Australia or its offshore territories, such as Ashmore Reef or Christmas Island.<sup>49</sup> In addition, a small number of Rohingya migrants from Myanmar had also used these routes through Thailand, Malaysia and Indonesia to board vessels bound for Australia. Small numbers of migrants from Southwest Asia also are destined for New Zealand, usually involving

38 Inter Sector Coordination Group, "Situation update: Rohingya refugee crisis", 26 September 2017.

39 UNHCR, "Rohingya Emergency", undated. Accessed at: <http://www.unhcr.org/rohingya-emergency.html>; UNHCR, "Mixed movements in South-East Asia 2016", UNHCR Regional Office for South-East Asia, Bangkok, undated. Accessed at: <https://unhcr.atavist.com/mm2016>.

40 Official communication with UNHCR Regional Office for Asia and the Pacific, April 2019.

41 Andrew M. Carruthers, "Clandestine Movement in the Indonesia-Malaysia Migration Corridor: Roots, Routes, and Realities", ISEAS Yusof Ishak Institute, Issue 2017, No. 58, 31 July 2017.

42 UNHCR, "South-East Asia Irregular Maritime Movements, January – November 2014", UNHCR Regional Office for South-East Asia, Bangkok, undated.

43 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

44 UNODC, "Migrant smuggling in Asia: a thematic review of literature", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, August 2012.

45 UNODC, "Migrant Smuggling in Asia. Country Profiles: Southeast Asia", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, August 2015 (restricted distribution).

46 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

47 UNODC, "Migrant smuggling in Asia. Country Profiles: South-West Asia", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, August 2015 (restricted distribution).

48 UNODC, "Global Study on Smuggling of Migrants 2018", UNODC, June 2018.

49 UNODC, "Migrant smuggling in Asia. Country Profiles: South-West Asia", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, August 2015 (restricted distribution).



the use of fraudulent documents.<sup>50</sup> However, these maritime flows have been dramatically reduced since late 2013, following the implementation of Australia's Operation Sovereign Borders.<sup>51</sup>

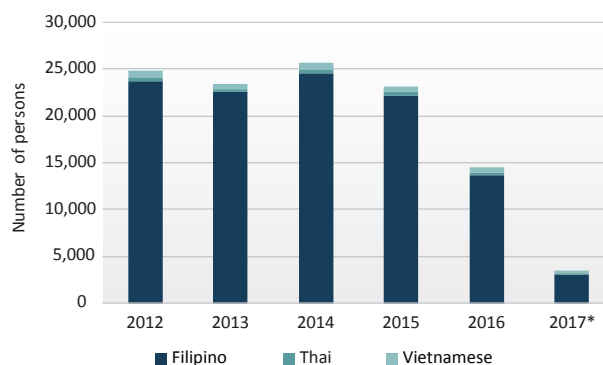
Fees for the journey from Pakistan to Australia can be significant, and have been reported to include an estimated US\$ 7,000 for the trip from Pakistan to Indonesia, and an additional US\$ 4,000 from Jakarta to Australia.<sup>52</sup> A 2013 survey reported an average price of US\$ 12,600 for smuggling from South Asia to Australia, with some variation according to citizenship (Sri Lankans reportedly paid US\$ 9,200 while Afghans paid US\$ 13,500).<sup>53</sup> Due to the high costs, some migrants from Southwest Asia may make stops along the way to work off their debts. For example, nationals of Iran and Iraq are known to make short visits to Malaysia, which they can enter without a visa, to work and save money for the onward journey to Australia.<sup>54</sup>

### From Southeast Asia to the United States

A large number of the irregular migrants arriving to the United States from Southeast Asia are nationals of the Philippines, and smaller numbers of Malaysians, Thais and Vietnamese have also been identified by American authorities.<sup>55</sup> U.S. authorities identified up to 24,553 Filipino nationals each year from 2012 to 2017 attempting illegal entry into the United States. Many arrive on tourist or business visas and then remain in the United States after their visa expires.<sup>56</sup> However, there is no available information on the specific routes and modus operandi of smugglers transporting Filipino

migrants into the United States.<sup>57</sup> The number of Vietnamese and Thai nationals attempting illegal entry or establishing illegal residence in the U.S. remains significant but at far lower levels than for Filipino nationals.

**Figure 5: Total number of illegal residents in the United States**



Source: Based on responses from national authorities in reporting countries to a questionnaire about migrant smuggling in Asia and the Pacific that UNODC distributed in March 2017.

### From Southeast Asia to Japan and the Republic of Korea

The sharp and continual decline of Filipino, Thai and Vietnamese nationals detected attempting illegal entry into the United States may in part be due to the increasing numbers of migrants from these countries taking up residency in Japan and the Republic of Korea.

Government policies in Japan aim to attract more foreign workers to fill chronic labour shortages in farming, construction, accommodations, and elder care<sup>58</sup> while the number of tourists from Southeast Asian countries continues to increase, enabled by tourist promotion campaigns and visa-free entry for several countries in the region.<sup>59</sup> From 2013 through 2016, the number of foreign residents in Japan from the Philippines, Thailand and Viet Nam increased by more than 50 per cent, from 322,647 residents in 2013 to 491,299 residents in 2016, of

<sup>50</sup> Ibid.

<sup>51</sup> Operation Sovereign Borders, established in September 2013, is a military-led border security operation aimed at countering maritime smuggling and protecting Australia's borders. See Australian Government Department of Home Affairs, Operation Sovereign Borders. Accessed at: [www.osb.border.gov.au](http://www.osb.border.gov.au).

<sup>52</sup> Reg Raghavan and Dinuk Jayasuriya, "People Smuggling: Field Insights Report – Pakistan", Red Elephant Research, Rockdale, Australia, February 2016.

<sup>53</sup> Ibid.

<sup>54</sup> Madeleine Nyst and John Coyne, "People smuggling in Southeast Asia, in *People smugglers globally, 2017*, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

<sup>55</sup> Based on responses from national authorities in reporting countries to a questionnaire about migrant smuggling in Asia and the Pacific that UNODC distributed in March 2017; UNODC, "Transnational Organized Crime In East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

<sup>56</sup> U.S. Department of Homeland Security, "Fiscal Year 2016 Entry/Exit Overstay Report", undated. Accessed at: <https://www.dhs.gov/sites/default/files/publications/Entry%20and%20Exit%20Overstay%20Report%2C%20Fiscal%20Year%202016.pdf>.

<sup>57</sup> Based on responses from national authorities in reporting countries to a questionnaire about migrant smuggling in Asia and the Pacific and distributed by UNODC in March 2017.

<sup>58</sup> Cabinet Office of Japan, "Basic Policy on Economic and Fiscal Management and Reform 2018: Realizing Sustainable Economic Growth by Overcoming the Decreasing Birth Rate and Aging Population", June 2018. Accessed at [https://www5.cao.go.jp/keizai-shimon/kaigi/cabinet/2018/2018\\_basicpolicies\\_en.pdf](https://www5.cao.go.jp/keizai-shimon/kaigi/cabinet/2018/2018_basicpolicies_en.pdf)

<sup>59</sup> Ministry of Foreign Affairs of Japan, "Exemption of Visa (Short-Term Stay)", 01 July 2017. Accessed at: [https://www.mofa.go.jp/j\\_info/visit/visa/short/novisa.html](https://www.mofa.go.jp/j_info/visit/visa/short/novisa.html).

which about 56 per cent of the total during the reporting period were Filipinos.

**Table 2. Filipino, Thai and Vietnamese nationals legally residing in Japan, 2013-2016**

	2013	2014	2015	2016
Filipino	209,183	217,585	229,595	243,662
Vietnamese	72,256	99,865	146,956	199,990
Thai	41,208	43,081	45,379	47,647
Total	322,647	360,531	421,930	491,299

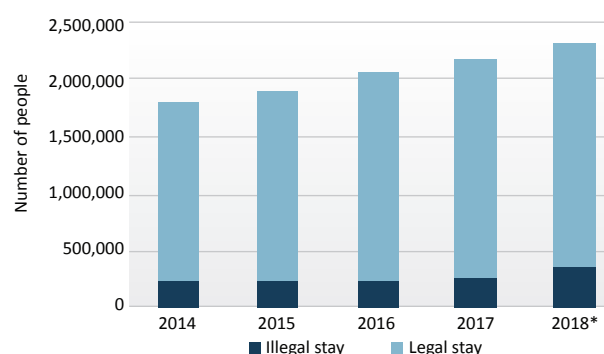
Sources: Statistics Japan, "Japan Statistical Yearbook 2018", Statistics Bureau, Ministry of Internal Affairs and Communications. Accessed at: <https://www.stat.go.jp/english/data/nenkan/67nenkan/1431-02.html>; "Japan Statistical Yearbook 2017", Statistics Bureau, Ministry of Internal Affairs and Communications. Accessed at: <https://www.stat.go.jp/english/data/nenkan/66nenkan/1431-02.html>.

In addition, the total number of visas issued by diplomatic missions of Japan abroad in 2017 totalled more than 5.8 million visas, an increase of 9.1 per cent from 2016, and was the largest number ever recorded. The top four recipients of Japanese visas were nationals of China, the Philippines, Indonesia and Viet Nam, accounting for roughly 90 per cent of the total number of visas issued during the year.<sup>60</sup> However, a growing number of Southeast Asian nationals are also staying illegally in Japan and being deported from the country, which may be increasing the demand for the services of smugglers. According to a local media report, the number of foreign nationals deported from Japan for immigration violations increased by 16.5 per cent from the previous year to 7,892, and more than 60 per cent were working illegally.<sup>61</sup> The deportees came from 82 countries and regions, with China topping the list at 2,116 persons, followed by Vietnam (2,036 persons) and Thailand (1,062 persons).<sup>62</sup>

The growing number of foreign nationals staying illegally in the Republic of Korea is also largely composed of nationals from Southeast Asian countries and China. Between 2014 and August 2018, the number of foreigners illegally staying increased by more than 60 per cent, from 208,778 to 335,455 persons, of which the largest share

(more than one third) were Thai nationals, followed by Chinese (21 per cent) and Vietnamese (11 per cent).<sup>63</sup>

**Figure 6: Number of foreigners illegally staying in the Republic of Korea, 2014-2018**



Note: Data for 2018 cover the first eight months of 2018.

Source: Korea Immigration Service, the Ministry of Justice.

## Smuggling from Southeast Asia to the rest of the World

The smuggling of migrants from Southeast Asia is dispersed across parts of Europe, North America, the Middle East and other regions. These flows are distinct from smuggling within Asia in that they mainly involve large transnational smuggling networks, some of which have been linked to established diaspora communities in destination countries. Smuggling to these regions is usually carried out by a combination of air and overland travel and sometimes involves both smuggling and trafficking, particularly for nationals of Viet Nam. One of the primary migrant smuggling flows out of Southeast Asia consists of migrants from Viet Nam traveling to Europe, and to North America and Australia.<sup>64</sup>

For Thai migrants making irregular journeys to Europe, some first travel through East Asia, sometimes using Macau, China, as a transit point to Hong Kong, China, or Taiwan Province of China, from where they are smuggled onward to Europe or North America. However, large numbers of Thai migrants also remain in Japan and the Republic of Korea in irregular conditions.<sup>65</sup>

60 Ministry of Foreign Affairs of Japan, "Statistics for the Number of Visas Issued in 2017". Accessed at: [https://www.mofa.go.jp/press/release/press4e\\_002048.html](https://www.mofa.go.jp/press/release/press4e_002048.html).

61 Japan Times, "Number of foreign nationals deported from Japan up 16% in first half of 2018", 06 October 2018. Accessed at: <https://www.japantimes.co.jp/news/2018/10/06/national/crime-legal/number-foreign-nationals-deported-japan-16-first-half-2018/#.XE2CnL7TIU>.

62 Ibid.

63 Korea Immigration Service, the Ministry of Justice.

64 Official communication with UNDP Regional Office in Bangkok, September 2018.

65 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.



The Philippines is an important source for irregular migration and migrant smuggling to destinations in East Asia such as Hong Kong, China, and Macau, China, as well as to Europe, the United States or to the Gulf States, including Saudi Arabia and the United Arab Emirates.<sup>66</sup> Longer distance destinations for smuggled Cambodian migrants have included the Republic of Korea, Japan, Saudi Arabia and the United States.<sup>67</sup>

### From Southeast Asia to Europe

Large numbers of Vietnamese nationals continue to migrate irregularly to countries in Western and Northern Europe, in particular to France, Germany, Sweden, the United Kingdom and Czechia. The smuggling of Vietnamese migrants to Europe often involves a combination of long-distance air travel on commercial flights to nearby destinations, particularly countries for which Vietnamese nationals do not require a visa or where immigration requirements and controls are less stringent. From there, they may make multiple land ventures across short distances, being smuggled overland to their final destination. Smugglers use a variety of methods and routes, ranging from sophisticated operations involving fraudulent documents to less-complicated forms of smuggling, such as clandestine border crossings.<sup>68</sup> One important smuggling route involves flights from Hanoi or Ho Chi Minh City in Viet Nam to Moscow or other major cities in Russia, and then transit through the Baltic States, Ukraine or Slovakia and then through Poland before reaching Czechia or Germany.<sup>69</sup> However, Poland has also become a destination in its own right for some smuggled Vietnamese migrants.<sup>70</sup> Another smuggling route starts with flights from Viet Nam to Romania or Bulgaria before further travel by motor vehicle to Czechia.<sup>71</sup> The smuggling of Vietnamese nationals from Russia to Poland reportedly now takes only 24 hours, compared to a duration of between one and two months previously.<sup>72</sup>

66 Ibid.

67 Ibid.

68 Ibid.

69 Government of Poland, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

70 Ibid.

71 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

72 Government of Poland, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

Most of the irregular Vietnamese migrants making the journey through Estonia or other Baltic States are reportedly smuggled.<sup>73</sup> The smuggling of Vietnamese migrants from Russia into Estonia involves travelling overland by foot through remote areas in groups, typically of between 10 and 17 people.<sup>74</sup> Important smuggling routes are Viet Nam-Russia-Belarus-Lithuania-Poland and Viet Nam-Russia-Latvia-Lithuania-Poland.<sup>75</sup> The border crossing into Lithuania is usually conducted at night, with or without the accompaniment of smugglers. Other members of the smuggling network meet the smuggled Vietnamese migrants on the Lithuanian side of the border and then transport them in a private vehicle to Poland.<sup>76</sup> The smuggled migrants are sometimes concealed in wooden containers loaded onto the vehicles.<sup>77</sup>

Vietnamese migrants also fly directly to Romania or Bulgaria or first transit through Russia before travelling by motor vehicle to Czechia or Hungary.<sup>78</sup> Smuggled Vietnamese migrants typically use fraudulent travel or identity documents to obtain Schengen visas to facilitate entry into Hungary. Some smuggled Vietnamese migrants have also been known to continue their journey by land to Germany, France or the United Kingdom.<sup>79</sup> France has long served as both a transit point and destination, with smuggled Vietnamese migrants first flying to an Eastern European country and then continuing overland into France or often onwards to the United Kingdom.<sup>80</sup>

### From Southeast Asia to The Gulf States

The Gulf States, especially Saudi Arabia and the United Arab Emirates, are popular destinations for irregular migrants, including smuggled migrants from a number of source countries in Southeast Asia, particularly the Philippines and Indonesia. Strict immigration controls and labour market regulations limit the routes and methods by which

73 Government of Estonia, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

74 Ibid; Government of Lithuania, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

75 Government of Estonia, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

76 Government of Lithuania, response to questions by UNODC related to smuggling of migrants in Asia and the Pacific, 2017.

77 Ibid.

78 Ibid.

79 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

80 Ibid.

migrants can be smuggled into the Gulf States. Most smuggled migrants use fraudulent travel or identity documents, and some are smuggled via Pakistan and the Islamic Republic of Iran and then by boat to Oman and the United Arab Emirates. The main airports in Abu Dhabi, Dubai, Doha and Bahrain are also important transit points for the smuggling of migrants within Asia and the Middle East and from Asia to Western Europe and other destinations.<sup>81</sup>

### Profiles of major smuggling groups and their methods and means

Migrant smuggling groups and networks in Southeast Asia have typically been described as decentralized or loose associations of individuals, who operate outside any hierarchical command and control structure and use their personal networks to facilitate the illicit trade. Some migrant smuggling appears to be facilitated by family or social networks, particularly in the countries of the Mekong region.<sup>82</sup> However, some networks that smuggle migrants into Thailand from Cambodia, Lao PDR and Myanmar maintain at least some level of hierarchical organisation, with certain individuals coordinating all or part of the smuggling venture.<sup>83</sup> The more structured hierarchical organisations, with varying tiers of seniority and management, generally consist of leaders who coordinate the smuggling along a given route and handle the financial aspects of the smuggling, organizers who manage activities locally through personal contacts, and low-level and opportunistic facilitators who perform a variety of localized roles including as guides, drivers, enforcers or recruiters.<sup>84</sup>

In Southeast Asia, the individuals who lead a smuggled migrant across a border or harbour a migrant in a safehouse are typically nationals or residents of the country in which they work, and some of them were irregular migrants themselves. They speak the local language and have local knowledge and contacts, which enables them to facilitate transportation or accommodation

relatively simply, or to work as recruiters in their country of origin, connecting prospective smuggled migrants with smugglers. For instance, smugglers who transport Cambodian migrants into Thailand are generally Cambodian nationals, and they reportedly earn between US\$ 10 and US\$ 30 per smuggled migrant.<sup>85</sup> Lao irregular migrants are transported by Thai or Lao nationals who hand over groups of migrants from one smuggler to another. The smuggling of Indonesian migrants to Malaysia, for example, often involves organized networks led by prominent local figures that operate unlicensed recruitment agencies in both countries to facilitate irregular entry and job placement, with the recruitment often handled by individuals living in the migrants' home communities.<sup>86</sup>

Some participate in smuggling on a continuing basis, with networks that coordinate operations across source, transit and destination countries. However, most migrant smuggling in Asia and the Pacific appears to involve individuals, mostly men, that participate in an ad hoc basis. Instances of the involvement of women in migrant smuggling have been reported, especially in situations where they pose as a spouse or parent of a migrant. In a small number of cases, women have occupied senior roles in larger smuggling networks.<sup>87</sup>

In general, the networks that smuggle Rohingya from Bangladesh and Myanmar have been organized and well established, given the long history of migration by sea of Rohingyas to Thailand and Malaysia. These smuggling networks are reported to involve registered or unregistered brokers and legitimate recruitment agencies in major cities and other locations where there are concentrations of Rohingya migrants from Myanmar.<sup>88</sup> These groups usually involve organizers and local agents who recruit migrants and coordinate boat travel, local

81 Ibid.

82 Ibid.

83 UNODC, "Trafficking in Persons from Cambodia, Lao PDR and Myanmar to Thailand", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, 2017.

84 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018; Madeleine Nyst and John Coyne, "People smuggling in Southeast Asia, in *People smugglers globally*, 2017, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

85 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

86 UNODC, Migrant smuggling in Asia. Country Profiles: Southeast Asia. UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, August 2015 (restricted distribution).

87 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

88 Al Jazeera, "Meet Bangladesh's people smugglers", 23 June 2015. Accessed at: <https://www.aljazeera.com/indepth/features/2015/06/meet-bangladesh-people-smugglers-150623083053794.html>; Mohannad Abdul Munim Joarder and Paul W. Miller, "The experiences of migrants trafficked from Bangladesh", *The Annals of the American Academy of Political and Social Science*, 653 (1), pp. 141–161, 28 March 2014.

transporters (often fishermen) who facilitate the sea voyage to Thailand and then hand migrants over to migrant smugglers in Thailand, and migrant smugglers in Thailand who facilitate the onward journey to Malaysia.<sup>89</sup>

The smuggling of Vietnamese migrants to Europe is often coordinated by Vietnamese smugglers in transit and destination countries. In addition, national authorities have highlighted the important role played by Russian smugglers of Chechen origin in smuggling Vietnamese nationals through the Baltic States to Europe.<sup>90</sup> Members of Armenian and Russian (Chechen origin) communities in Pskov, a Russian town near the Estonian border, have been identified as the main organizers of the smuggling of Vietnamese migrants through Estonia.<sup>91</sup> In 2016, new trends related to the flows of Vietnamese migrants across the Latvian border were identified. The number of Latvian nationals who had been involved in the smuggling of migrants decreased, but the number of Russian nationals (primarily from Chechnya) involved in migrant smuggling in Latvia was shown to have increased.<sup>92</sup>

The networks involved in smuggling Afghan, Iranian, Iraqi and Pakistani nationals through Malaysia and Indonesia to Australia in previous years have been mostly loosely organized and non-hierarchical. Recruiters are often drawn from asylum-seeker communities in the countries of origin and transit countries in Southeast Asia. In many instances, the organizers were once smuggled migrants who remained in a transit country, including Indonesia, or who returned to Southeast Asia after naturalizing (or being granted refugee status) in Australia. For the boat journey from Malaysia to Indonesia and onwards to Australia, an 'organizer' typically hires young, local, predominantly poor Indonesian fisherman and labourers, who may receive a small salary for captaining or crewing the vessels used to facilitate the migrant smuggling.<sup>93</sup> In addition,

corrupt government officials in South Asia allegedly perform specific roles in facilitating the outbound stages of the journey,<sup>94</sup> with Indian and Bangladeshi agents sometimes involved in smuggling in transit or destination countries in Thailand, Malaysia, and Indonesia as well as in Europe.<sup>95</sup>

The methods and routes used to smuggle migrants depend on numerous variables, which include geography, porous borders, border controls and policies, availability of public and private transportation, the skills and knowledge of local smugglers, the involvement of corrupt government officials, the need to acquire and present fraudulent travel or identity documents, the size of the group being smuggled, popularity of the route, competition between smugglers, and the funds available to smuggled migrants and their families.<sup>96</sup> The ease with which migrants from the Mekong region countries can enter Thailand irregularly means that many migrants do not require the assistance of smugglers to cross the border. Those migrants who are smuggled often do so overtly, either travelling on their own to meeting points near the border, from where smugglers guide them across the border individually or in larger groups. Some are simply driven into Thailand in private vehicles by smugglers that work for smuggling networks on both sides of the border. Arrangements between smugglers and border guards to overlook irregular crossings into Thailand have been known to further enable these movements.<sup>97</sup>

The fastest, and most expensive, way to smuggle migrants is by commercial airlines, and there are indications that the use of air travel to transit and destination countries is increasing. Smugglers will target transit countries that have little or no visa requirements to enter by air, then engage local smuggling groups to smuggle the migrants onward to the destination country by air, land, or sea. For many migrants from Sri Lanka, Bangladesh and India, for example, the legal and irregular journeys become interlinked when migrants travel first

89 Ramesh Sunam, "People smuggling in India, Bangladesh and Sri Lanka", in *People smugglers globally, 2017*, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

90 Governments of Estonia, Lithuania, and Poland, 2017, responses to questions by UNODC relating to smuggling of migrants in Asia and the Pacific; UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

91 Government of Estonia 2017, response to questions by UNODC relating to smuggling of migrants in Asia and the Pacific.

92 Government of Latvia 2017, response to questions by UNODC relating to smuggling of migrants in Asia and the Pacific.

93 UNODC, "Migrant smuggling in Asia. Country Profiles: South-West Asia", UNODC Regional Office for Southeast Asia and the Pacific, April 2015.

94 Dinuk Jayasuriya and Ramesh Sunam, "South Asia: migrant smuggling data and research", in *Migrant smuggling data and research: a global review of the emerging evidence base*, International Organization for Migration, 2016.

95 UNODC 2015. "Migrant Smuggling in Asia: Current Trends and Related Challenges, UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

96 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

97 Ibid.

to Malaysia or Thailand on tourist visas before continuing to European countries such as Turkey or Italy using student or tourist visas, and from there are smuggled to destination countries, often becoming irregular migrants by overstaying their visas along the way.<sup>98</sup>

The collusion of government officials is often a crucial factor for a successful smuggling venture. In Southeast Asia, a wide range of officials are thought to benefit from the corrupt behaviour that facilitates migrant smuggling in the region.<sup>99</sup> Smugglers may rely on corrupt immigration or other officials for crossing borders, procuring fraudulent documents, providing information about the time and location of border control activities, or to negotiate with authorities regarding detained smugglers or migrant clients.

The conviction in Thailand of 22 government officials involved in the smuggling and trafficking of Rohingya from western Myanmar and Bangladesh, and the deaths of Rohingya and Bangladeshis in camps along the Thailand-Malaysia border, has highlighted the prominent role that government officials can play in migrant smuggling and human trafficking operations. Thai officials were convicted in 2017 of various charges including murder, torture, rape, money laundering and human trafficking. Some officials reportedly stopped some boats and demanded payment before allowing them to proceed.<sup>100</sup> Previous research has found that corrupt authorities in both Thailand and Malaysia have reportedly been responsible for enabling some boats to transport smuggled migrants to Thailand in the first place.<sup>101</sup>

Corruption is reported throughout the process of smuggling of migrants into Thailand from Cambodia, Lao PDR and Myanmar. Smuggling groups operating along the Myanmar border with

Thailand reportedly bribe immigration officials to facilitate the crime. Some groups are reported to operate under the watch or control of corrupt officials who enable them to smuggle migrants into Thailand without interference.<sup>102</sup> Corruption has also been perceived as integral in the smuggling of migrants through Indonesia, in particular to Malaysia, and in the movements of irregular and smuggled Vietnamese migrants to Malaysia.<sup>103</sup>

While there are some reported instances of controls being avoided by bribing or colluding with government officials or airline personnel, most cases of smuggling by air involve fraudulent documents, including genuine documents obtained through fraudulent means and look-alike passports.<sup>104</sup> Pakistani authorities, for instance, have reported that a large number of smuggled Afghans have been apprehended at airports in Pakistan possessing fraudulent travel or identity documents when attempting to board flights to major international airports in Southeast Asia. Nationals of Iran, Iraq and Pakistan also travel along this route.<sup>105</sup>

The use of fake documents to facilitate migrant smuggling from Indonesia to the Philippines is also common. Smuggling networks may forge the documents themselves or outsource the work to other criminal networks.<sup>106</sup>

Other than corruption, there is no strong evidence linking the persons involved in the smuggling of migrants in Southeast Asia to other criminal activities, including other forms of organized crime. However, some smuggling networks operating on particular routes, namely the networks responsible for smuggling Vietnamese nationals to Western Europe, are known to engage in other criminal activities such as drug trafficking.<sup>107</sup> In Australia, there appears to be a strong connection between some persons who enable migrant smuggling and other forms of transnational organized crime, in particular crime-enabling activities such as

98 European Migration Network, "A study on smuggling of migrants: characteristics, responses and cooperation with third countries", European Commission, DG Migration & Home Affairs; September 2015; UNODC, "Migrants Smuggling in Asia: Current Trends and Related Challenges", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

99 Anne Gallagher and Mary McAuliffe, "South-East Asia and Australia", in *Migrant Smuggling Data and Research: a global review of the emerging evidence base*, pp. 211-241, International Organization for Migration, Geneva, 2016.

100 Royal Thai Government, "Thailand's Country Report on Anti-Human Trafficking Response (1 January 2017 – 31 December 2017)", Ministry of Social Development and Human Security, 2018.

101 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

102 Ibid.

103 Ibid.

104 Ibid.

105 UNODC, "Migrants Smuggling in Asia: Current Trends and Related Challenges", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2015.

106 UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

107 Ibid.



document forgery.<sup>108</sup> South Asian smugglers appear to have weak links to organized crime networks, but some at the higher levels are indicated to possibly be associated with organized crimes such as money laundering and drug trafficking.<sup>109</sup>

As with any profit-driven commercial enterprise, migrant smugglers seek to generate new business and attract as many clients as possible. In response to increased competition along smuggling routes, as well as increased law enforcement efforts to counter migrant smuggling in certain countries, some smugglers have recently begun offering ‘guarantees’ of successful smuggling ventures, in order to counter practices of extortion and to build trust and their reputation. Such guarantees commonly involve payment on arrival, where the smuggled migrant’s family makes a one-off payment to the smuggler only once it is confirmed that the migrant has successfully arrived in the final destination country. Evidence is often presented to the migrant’s family in the form of a photo of the migrant at a famous landmark in the destination country, in combination with a written or verbal confirmation of the migrant’s safe arrival.<sup>110</sup>

Smugglers now increasingly recruit migrants and communicate with others in the network through mobile phones and social media. In Europe, the use of social media platforms to advertise smuggling services from Asia to Western Europe has reportedly increased. The services advertised are reported to include transportation by cruise ship, cargo ship, and air travel, as well as forged documentation, arranged marriages, and travel packages that promise study or work permits.<sup>111</sup> Media reports indicate that some migrant smuggling networks in Europe have developed their own mobile apps to provide clients with the latest information related to travel conditions, weather conditions, police checks, and other news related to the smuggling journey.<sup>112</sup>

108 Madeleine Nyst and John Coyne, “People smuggling in Southeast Asia, in *People smugglers globally, 2017*, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

109 Ramesh Sunam, “People smuggling in India, Bangladesh and Sri Lanka”, in *People smugglers globally, 2017*, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

110 UNODC, “Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II”, UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018.

111 European Migration Network, “The Use of Social Media in the Fight Against Migrant Smuggling”, EMN Inform, European Commission, 2016; Europol and EMSC, “European Migrant Smuggling Centre, Activity Report Year One: Jan 2016-Jan 2017”.

112 Patrick Kingsley, “People smugglers use Facebook to lure migrants into ‘Italy trips’”, *The Guardian*, 09 May 2015. Accessed at: <https://www.theguardian.com/world/2015/may/08/people-smugglers-using-facebook-to-lure-migrants-into-italy-trips>.

The extent to which social media is used to facilitate migrant smuggling within Southeast Asia is uncertain. Much of the recruitment by smugglers in the region is conducted more locally, by physically visiting locations frequented by migrants, such as housing compounds, commercial areas and community centers.<sup>113</sup>

### Market size estimate

Migrant smuggling is a well-established, widespread and profitable criminal activity for transnational organized crime groups in Southeast Asia. Longer distance migrations frequently require the use of fraudulent documentation to transit through countries with which the irregular migrants are unfamiliar, a situation which increases the likelihood of them having to rely on smugglers to complete the journey. Fees for smuggling along such routes are often many times their annual income or in some cases even their life savings. Shorter migration routes within Southeast Asia or to neighbouring regions require less sophisticated methods but nevertheless require migrants to make substantial investments relative to income.

Determining the number of migrants who are smuggled in Southeast Asia is not a straightforward undertaking. Not all irregular migrants are smuggled by professional smugglers and the distinction between legal and irregular migration are not always clear. The data that are kept by various state institutions across the region are sometimes incomplete, unreliable, or difficult to access. Many governments, for example, do not collect information on whether a migrant’s illegal entry or illegal stay was facilitated, and whether this facilitation was motivated by a financial or material benefit.<sup>114</sup> As a result, calculating the share of migrants who are smuggled from, to and through Southeast Asia is challenging.

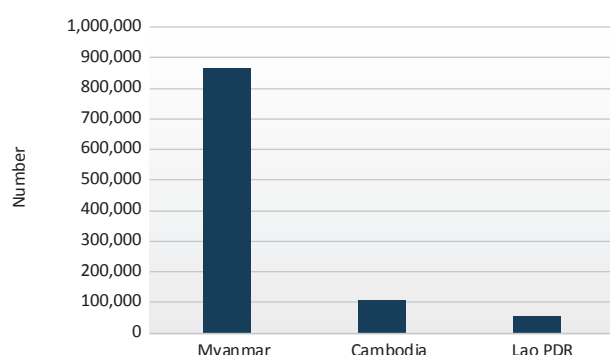
Notwithstanding the data gaps, the use of proxy indicators to formulate estimates for important components of the migrant smuggling trade can provide a better understanding of the market. In this chapter, UNODC estimates the market size for smuggling of migrants from Cambodia, Lao PDR and Myanmar to Thailand.

113 Madeleine Nyst and John Coyne, “People smuggling in Southeast Asia, in *People smugglers globally, 2017*, ASPI Strategy, Australian Strategic Policy Institute, October 2017.

114 UNODC, “Toolkit to Combat Smuggling of Migrants”, Vienna, July 2010.

The Government of Thailand has been implementing the Nationality Verification (NV) process, which allows irregular migrants from Cambodia, Lao PDR and Myanmar residing in Thailand to stay in the country and provide permission for work. Official data from Thailand indicate that between 2014 and 2017 an annual average of 856,429 irregular migrants from Myanmar registered through the NV process, followed by Cambodian migrants (107,544) and migrants from Lao PDR (52,345). Although some irregular migrants may have not gone through the NV process and some may have migrated to Thailand in years prior to the one that they registered, the figures above would indicate the numbers of irregular migrants from the three countries entering Thailand at an annual level.

**Figure 7: Annual average number of migrants from Cambodia, Lao PDR and Myanmar who went through the NV process between 2014 and 2017**



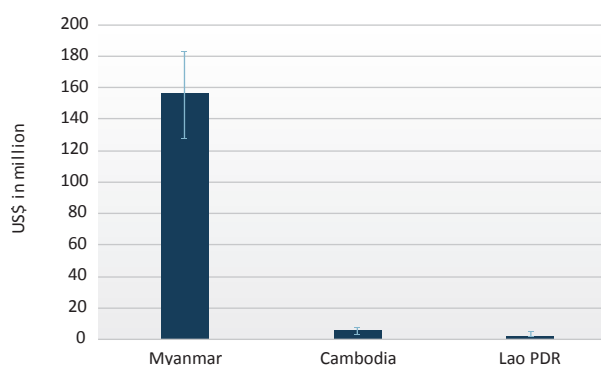
Source: Department of Employment, Thailand.

Data from a study conducted by the International Labour Organization (ILO) and International Organization for Migration (IOM) in 2017 show migration channels used by irregular migrants from Cambodia, Lao PDR and Myanmar to enter Thailand and Malaysia. One channel referred to in the report is via 'unlicensed brokers' – who are more likely than not to facilitate the smuggling of migrants for financial gain. Based on the report, 48 per cent, 28 per cent and 1 per cent of surveyed irregular migrants respectively from Myanmar, Cambodia and Lao PDR responded that they used services provided by unlicensed brokers for their migration.<sup>115</sup> These proportions, combined with the estimated annual number of irregular migrants

shown in Figure 9 would yield the estimated number of migrants smuggled by using services provided by unlicensed brokers. If these figures are multiplied by what is known about the average or typical costs for smuggling services<sup>116</sup> from the countries of origin to Thailand, this calculation yields approximately US\$ 135 million.

It is not just professional smugglers who facilitate smuggling of migrants from the three countries to Thailand, however, but also the migrants' family members and friends. The same report shows that 44 per cent, 27 per cent and 21 per cent of surveyed irregular migrants respectively from Lao PDR, Cambodia and Myanmar responded that they have used 'friends and family' as an irregular migration channel.<sup>117</sup> Although the motivation of friends and family for the smuggling of migrants would be different than that of unlicensed brokers in many cases, some could have provided support for smuggling in exchange for money. Taking this consideration into account, the estimated amount paid by smuggled migrants from the three countries to Thailand could be as high as US\$ 196 million.

**Figure 8: Breakdown of the estimated income generated by the smuggling of migrants annually from Cambodia, Lao PDR and Myanmar to Thailand between 2014 and 2017**



Note: The high-low bars represent the upper and lower limits of the price ranges.

Source: UNODC estimates.

<sup>115</sup> Benjamin Harkins, Daniel Lindgren and Tarinee Suravoranon, "Risks and rewards: Outcomes of labour migration in South-East Asia", International Labour Organization, International Organization for Migration and Rapid Asia, Bangkok, 2017; Bilateral communication with authors of the "Risks and rewards" report, June 2019.

<sup>116</sup> UNODC, "Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges, Volume II", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, July 2018; and ILO and IOM report, "Risks and rewards: Outcomes of labour migration in South-East Asia", 2017.

<sup>117</sup> Benjamin Harkins, Daniel Lindgren and Tarinee Suravoranon, "Risks and rewards: Outcomes of labour migration in South-East Asia", International Labour Organization, International Organization for Migration and Rapid Asia, Bangkok, 2017



## Looking ahead

Addressing migrant smuggling in Southeast Asia involves a number of factors that relate to the criminality of smuggling, the human rights of smuggled migrants, and the cooperation between origin, transit and destination countries. Important progress has been made on these issues in the region. Some countries have introduced national laws criminalising migrant smuggling and legislation to protect smuggled migrants. Other processes that guide bilateral, regional and international cooperation to combat migrant smuggling have been implemented, such as the MoU framework in the Mekong region. Some countries have developed new channels for short-term and longer-term regular migration and created processes that allow migrants who had previously stayed in the country in an irregular status to remain as regular workers. Investigations of migrant smuggling networks have led to prosecutions of migrant smugglers and to the dismantling of some smuggling networks. Importantly, these investigations have also led, in some cases, to the rescue of smuggled migrants who had been held against their will, extorted and trafficked.

However, regional development and integration is making migration easier, while growing wealth gaps between countries and within rural and urban areas will likely make migration more desirable. Unless formal migration channels are made more efficient, informal methods will continue to be cheaper, easier to access, and more efficient than formal migration channels. This means that migrants seeking asylum or better economic opportunities may have little choice but to rely on smugglers to reach transit and destination countries. Uncoordinated and/or even stronger law enforcement responses to curb migrant smuggling may only divert routes elsewhere and prompt increasing demand for smuggling services and make migration more expensive and dangerous.

Strengthening data and research on migrant smuggling is an essential part of enhancing the criminal justice response. However, UNODC acknowledges that combating migrant smuggling demands a comprehensive and coordinated approach which involves simultaneously addressing the root causes of and the demand for migrant smuggling while developing and implementing

measures to protect migrants. It should also include enhancing regional and international coordination on migrant smuggling activities, implementing national migrant smuggling legislation, and enhancing each states' capacity to disrupt the activities of migrant smugglers, through improved investigation techniques and confiscation of the proceeds of crime.

## Policy options and responding

To counter the smuggling of migrants and their subsequent exploitation, governments in Southeast Asia would benefit by developing and strengthening national laws and policies that criminalise migrant smuggling. To address the complexity of the smuggling of migrants in Southeast Asia, it is important that ASEAN member states sign and ratify the United Nations Convention against Transnational Organized Crime and the Smuggling of Migrants Protocol and implement these obligations into their domestic laws. It is crucial that ASEAN member states also work continuously towards achieving a balance between the prevention of migrant smuggling and the protection of smuggled migrants. Important steps in that direction would be to conduct more research to better understand the root causes of migration in relation to criminal justice responses, and to align national and regional instruments, policies and law enforcement responses to migrant smuggling by focusing on the apprehension and prosecution of migrant smugglers while ensuring smuggled migrants are appropriately assisted and protected. This means strengthening law enforcement capacities to disrupt and investigate migrant smuggling, but also ensuring that all officials involved are trained in appropriate responses when persons intercepted express international protection needs. To ensure the most effective strategic and operational responses, governments would benefit by enhancing inter-agency cooperation to strengthen responses and leveraging each agency's authorities, capabilities, and competencies.

Governments also would benefit by strengthening regional and bilateral cooperation to tackle transnational organized crime networks through effective implementation of existing mechanisms, such as the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational

Crime, establishing joint task forces, and developing Standard Operating Procedures, including on detection, interception, rescue, and disembarkation in relation to migrant smuggling by sea. This could be accompanied by parallel efforts to deprive smugglers of their illicit profits by strengthening capacities to investigate the financial aspects of migrant smuggling networks, and by cooperating with Financial Intelligence Units and other relevant agencies working on the issue of illicit financial flows, as well as by enhancing the capacity of member states to seize and recover criminal assets and take action against money laundering.

To make migration safer and reduce the demand for smuggling services, it is necessary affordable avenues for regular migration are developed and made available for both men and women through regularisation processes and temporary or medium-term migration programmes to make migration more accessible, efficient and flexible. Awareness raising campaigns could also be considered to inform migrants about regular avenues for migration and that smugglers are criminals who put the lives and safety of migrants in jeopardy.

It is important that these responses are underpinned by regional and national efforts to enhance the collection, sharing and analysis of migrant smuggling and related conduct data, through collaborative efforts with other governments, relevant international organisations, academic experts and civil society and by actively participating in the UNODC Voluntary Reporting System on Migrant Smuggling and Related Conduct (VRS-MSRC), a secure, online system developed under the Bali Process to assist members with collecting and sharing data related to migrant smuggling and irregular migration.





**Wildlife**





## Overview of the situation

Southeast Asia's role in the international trade of illicit wildlife is likely to continue to expand as rapid infrastructure development in the region is making previously remote areas accessible to criminal networks. In addition, stricter and more successful enforcement in China appears to be displacing some of the trade to its neighbours, such as China's ban on a large part of the ivory trade, which appears to have resulted in an expansion of Southeast Asia's ivory markets.

Corruption along global supply chains remains a key facilitator in the massive movements of illicit wildlife products around the world, in particular within Asia and from Africa to Asia. Emerging digital technologies have contributed increasingly to these movements. Southeast Asia will have to develop and deploy a coordinated response to counter illicit wildlife trafficking in the region. This will require strengthening domestic legal frameworks and harmonizing border control, customs control and other enforcement measures to counter the trade.

## Nature of the market

Wildlife crime affects all regions and almost every country, either as a source, transit or destination for illegal wildlife products. The trade involves many distinct markets, each with its own dynamics. It is driven by high and growing consumer demand and facilitated by weak law enforcement and legislation, low prioritisation as a serious crime with limited

penalties, low public and private sector awareness and corruption.

Wildlife products command high prices on the illicit market. The two important drivers of demand illicit wildlife consumption in Asia are:

- expanding high-income and consumer classes, who accumulate illicit wildlife products to display as status symbols in their homes; and
- the belief that specific wildlife products have medicinal value.

Wild-sourced animals and plants continue to serve as an essential food source for people around the world, even where cultivated alternatives are available. The use of wildlife as food and as medicine are closely related, particularly in some countries where the consumption of wild products is considered beneficial for health. Although most popular animal or plant foods can be cultivated – even rather exotic meats are commercially farmed to meet niche demand – wild-sourced foods may be valued precisely because they come from the wild and are thus regarded as more valuable than the cultivated alternative.<sup>1</sup> As with food, demand for wild-sourced plant inputs for the cosmetics and perfume industries remains strong for their perceived benefits.

<sup>1</sup> UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.



### Wildlife trafficking and the Sustainable Development Goals (SDGs)

Wildlife and forest crime is overwhelming countries and communities, affecting biodiversity and development. UNODC aims to reduce organized wildlife and forest crime through concrete measurable evidence-based interventions by providing support to countries to reach SDG 14, to conserve and sustainably use the oceans, seas and marine resources for sustainable development,<sup>2</sup> and SDG 15, to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and biodiversity loss.<sup>3</sup> UNODC, through its Global Programme for Combating Wildlife and Forest Crime, is leading work on strengthening national legislative frameworks, law enforcement, prosecutorial and judicial capacity, fostering international cooperation, developing innovative solutions in forensics and conducting research through its global wildlife crime research. Through this work, UNODC supports the monitoring of SDG 15, in particular Target 15.7, to take urgent action to end poaching and trafficking of protected species of flora and fauna, and address both demand and supply of illegal wildlife products. UNODC is part of the International Consortium on Combatting Wildlife Crime (ICWC), consisting of five global entities working together to deliver multi-agency support to countries affected by the illegal trade in animals and plants.<sup>4</sup>



Seizures of wildlife products can range from small quantities hand-carried by air passengers on commercial flights to multiple container loads smuggled across long distances.<sup>5</sup> Profits generated by organized crime groups focusing on wildlife crime can be significant, yet the legal penalties remain considerably more lenient than for other types of crime such as drug trafficking.<sup>6</sup> Attracted by the high-profit, low-risk opportunities of the trade, organized crime actors have gotten more involved in the trafficking chain, threatening sustainable development, good governance and the rule of law. The high prices that ivory, rhino horn and other products command in the black market, particularly at the high-value consumer end of the supply chain, suggest the existence of significant financial flows associated with wildlife crime, and therefore elements of serious financial crime, particularly money laundering and the avoidance of currency control and other financial regulations.

In Southeast Asia, traffickers have a comparative advantage as a result of strong local demand

and reliable local supply from the region's rich biodiversity. Trafficking networks take advantage of vulnerabilities in the supply chain for legally available products, and their activities often involve breaches of quarantine, customs and tax laws. Wildlife trafficking groups in Southeast Asia also have networks in other wildlife source regions, including East Africa, Eastern Europe, parts of South America, Mexico, the Caribbean and the Pacific Islands.<sup>7</sup> Southeast Asia's mountainous topography, vast coastlines and porous borders present serious challenges for law enforcement to combat the trade, making it comparatively easy and highly profitable for criminal groups to conduct their illicit activities. Meanwhile, should law enforcement succeed in seizing contraband and making arrests, corruption can ensure that the perpetrators remain unpunished.

### Primary wildlife contraband markets

Africa's rhinos and elephants have become two of the main flagship species for the global wildlife crime issue. Based on analysis of seizures made around the world,<sup>8</sup> Asia is the primary destination for illegal ivory and rhino horn.

The vast size of the ivory seizures, with multi-ton seizures made every year, suggests the involvement of transnational organized crime in the trade. These

<sup>2</sup> United Nations Sustainable Development Goals Knowledge Platform, "Sustainable Development Goal 14", undated. Accessed at: <https://sustainabledevelopment.un.org/sdg14>.

<sup>3</sup> United Nations Sustainable Development Goals Knowledge Platform, "Sustainable Development Goal 15", undated. Accessed at: <https://sustainabledevelopment.un.org/sdg15>.

<sup>4</sup> UNODC, "SDG 14 and 15", undated. Accessed at: <https://www.unodc.org/unodc/en/about-unodc/sustainable-development-goals/sdg14-and-15.html>.

<sup>5</sup> UNODC and Asia/Pacific Group on Money Laundering, "Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime", Research Report, 2017.

<sup>6</sup> UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, April 2013.

<sup>7</sup> WWF, Illegal Wildlife Trade, <https://www.worldwildlife.org/threats/illegal-wildlife-trade>.

<sup>8</sup> UNODC maintains a database of wildlife seizures named World WISE, which contains almost 200,000 seizures made by over 120 countries around the world.

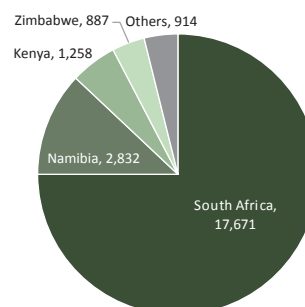
are typically African-based Asian criminal networks that are involved throughout the entire poaching and trafficking process, with rhino horns and ivory frequently targeted and trafficked by overlapping networks using the same routes and methods to reach consumer markets, primarily in China, Viet Nam and Thailand.<sup>9</sup>

Ancient traditional medicinal beliefs that rhino horn consumption cures illnesses, such as cerebrovascular disease, treats fever, and improves health encourages the illicit trade.<sup>10</sup> More recently, belief in its efficacy for treating other ailments, from hangovers to cancer, appear to have increased demand. There is no legal international market for rhino horns as zero trade is permitted for commercial purposes under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).<sup>11</sup> The prices that it currently commands – usually cited in the tens of thousands of dollars per kilogram<sup>12</sup> – are disproportionate to any medical utility it might have and may be more tied to its cultural significance.<sup>13</sup> Rhino horn appears to be conspicuously consumed as a status symbol, particularly in Viet Nam and China, the two largest markets for illicit rhino products.

Surveys of markets indicate a growing demand for rhino horn jewellery and décor items, including traditional drinking bowls.<sup>14</sup> Since the mid-2000s, the poaching of rhinos in Africa to meet the demand for horns in Asia increased significantly. The demand now is such that police in South Africa, home to the majority of the remaining rhinos (see figure 1), have reported the detection of an increasing quantity of fake rhino horns produced mainly

from cow horns, being designed and marketed to mislead consumers. These developments are likely to significantly challenge law enforcement efforts to identify and intercept rhino horn shipments along the illicit supply chain from Africa to Asia.<sup>15</sup>

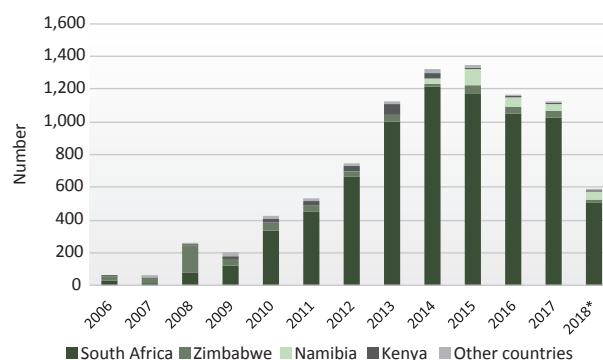
**Figure 1: Rhino populations in Africa, 2017**



Sources: International Union for Conservation of Nature (IUCN), Report of the Standing Committee and Secretariat, 2019; Department of Environmental Affairs, "Rhinos poached in South America", Republic of South Africa, February 2019.

Note: For South Africa 2018 data are shown.

**Figure 2: Number of rhino poaching incidents in Africa, 2006-2018\***



Note: \*Data for 2018 are preliminary.

Source: IUCN, Report of the Standing Committee and Secretariat, 2019. Accessed at: <https://cites.org/sites/default/files/eng/cop/18/doc/E-CoP18-083-01.pdf>.

The demand for ivory appears to be driven mainly by a concern for status and wealth,<sup>16</sup> but ivory has also been associated with religious and cultural practices in countries such as Thailand. Ivory is traded openly in eight ASEAN countries (excluding Brunei Darussalam and Malaysia) where domestic

9 Mary Utermohlen and Patrick Blaine, "Flying Under the Radar: Wildlife Trafficking in the Air Transport Sector", USAID ROUTES Partnership, 2017. Accessed at: <https://c4ads.org/routes/>; UNODC World Wildlife Crime Report 2016; UNODC, World Wildlife Crime Report: Trafficking in Protected Species", May 2016.

10 Sade Moneron, Nicola Okes and Julian Rademeyer, "Pendants, Powder and Pathways: A rapid assessment of smuggling routes and techniques used in the illicit trade in African rhino horn", TRAFFIC East/Southern Africa Regional Office, Pretoria, South Africa, 17 September 2017.

11 CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments which aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival; CITES, "What is CITES?", undated. Accessed at: <https://www.cites.org/eng/disc/what.php>.

12 Fieldwork at the end of 2015 indicated a whole horn retail price of about US\$26,000 per kilogram.

13 USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China." Issue 1, March 2018.

14 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

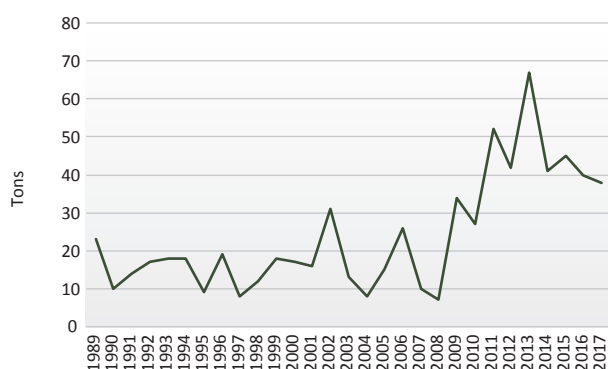
15 Sade Moneron, Nicola Okes and Julian Rademeyer, "Pendants, Powder and Pathways: A rapid assessment of smuggling routes and techniques used in the illicit trade in African rhino horn", TRAFFIC East/Southern Africa Regional Office, Pretoria, South Africa, 17 September 2017.

16 USAID, "What Drives Demand for Wildlife? A Situation Analysis of Consumer Demand for Wildlife Parts and Products in China, Thailand and Vietnam Based on a Literature Review (Elephant – Pangolin – Rhino – Tiger)", USAID Regional Development Mission for Asia, Bangkok, 2017.

ivory trade is legal.<sup>17</sup> These legal domestic markets are usually subjected to national regulations, which differ from country to country, and are much smaller than the estimated illicit supply, as indicated by the amounts of contraband seized.<sup>18</sup>

Law enforcement authorities in Asia and Africa make large ivory seizures every year, many weighing more than 500 kg, which is identified as a major shipment in the CITES context<sup>19</sup> and understood to require the involvement of transnational organized crime groups. The most significant number of multi-ton ivory seizures, sometimes along with smaller quantities of rhino horn, have been made in Viet Nam and Hong Kong, China, but also in mainland China, Cambodia, Lao PDR, Malaysia, the Philippines, Singapore and Thailand.<sup>20</sup> Estimates suggest tens of thousands of elephants are illegally killed each year, producing hundreds of metric tons of ivory for export, with annual seizures amounting to tens of metric tons.<sup>21</sup>

**Figure 3: Estimated weight of ETIS-recorded ivory seizures, 1989-2017**



Source: The Elephant Trade Information System (ETIS).

17 The domestic ivory trade is permitted in some form in Cambodia, Lao PDR, Myanmar, the Philippines, Thailand, and Viet Nam, allowing the trade in pre-CITES ivory or domestic Asian elephants within their respective countries. USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China", Issue 1, March 2018.

18 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

19 All Asian elephants (*Elephas maximus*) and most African elephants (*Loxodonta africana*), except for the populations from Botswana, Namibia, South Africa, and Zimbabwe, are listed in CITES Appendix I. All international trade has been prohibited since 1989. "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China." Issue 1, March 2018.

20 All of these countries are also identified by CITES as Parties of concern required to strengthen their controls to combat the illegal ivory trade: <https://cites.org/eng/niaps>.

21 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

While ivory and rhino horn are two of the biggest components of illicit market value and receive the most public attention, pangolin has become the most illegally trafficked animal in the world in just a few years. The pangolin is a nocturnal mammal with scales that eats ants and insects. The eight species native to Asia and Africa are in serious decline. Over the past decade, more than one million individual pangolins are estimated to have been killed.<sup>22</sup> The international trade is driven by the demand for their scales for use in traditional medicines and for the luxury consumption of their meat, primarily in China, followed by Viet Nam.<sup>23</sup> For example, in Viet Nam, pangolin scales are consumed by lactating mothers to enhance breast milk.<sup>24</sup>

All pangolins are listed in CITES Appendix I as of January 2017, and since 2000 the Asian ones have been listed with a zero annual export quota. Yet Asian pangolin populations are being decimated by the illegal trade. Trade in Asian pangolins, in particular the Sunda Pangolin (*Manis javanica*) and the Chinese Pangolin (*Manis pentadactyla*), has driven these two species to become critically endangered and have sparked demand for African species, with Tanzania, Nigeria, Cameroon, Uganda and Zimbabwe emerging as key export hubs.<sup>25</sup> In January 2017, six metric tons of scales destined for Asian markets were intercepted in Tanzania. Seizure data also indicate a significant increase in the illegal trade over the past 10 years as a result of growing demand. According to World WISE data, between 2007 to 2015, Southeast Asian countries were the source of 80 per cent of all pangolin products seized. Meanwhile, recent seizures suggest that the illicit pangolin trade is increasing in scope, with the United States identified as a major importer of pangolin products from China, Lao PDR, Thailand, Singapore as well as from Taiwan Province of China, Japan and Mexico.<sup>26</sup>

22 Pangolin figures vary from study to study, but all indicate the trafficking of large quantities on an international scale. See CITES Cop17 Inf. 59.

23 Vincent Nijman, Ming Xia Zhang, Chris R. Shepherd, "Pangolin trade in the Mong La wildlife market and the role of Myanmar in the smuggling of pangolins into China", *Global Ecology and Conservation*, Vol. 5, January 2016, pp. 118-126.

24 USAID, "What Drives Demand for Wildlife? A Situation Analysis of Consumer Demand for Wildlife Parts and Products in China, Thailand and Vietnam Based on a Literature Review (Elephant – Pangolin – Rhino – Tiger)", USAID Regional Development Mission for Asia, Bangkok, 2017.

25 Environmental Investigation Agency, "Illegal trade seizures: Pangolins Mapping the crimes", undated. Accessed at: <https://eia-international.org/illegal-trade-seizures-pangolins/>.

26 USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China," Issue 1, March 2018.

Another species of concern for Southeast Asia are tigers, listed in CITES Appendix I. The international commercial trade in tigers (*Panthera tigris*) has been banned since 1987 and the illicit poaching and trafficking of tigers to supply Asian markets remains a major threat to their survival. Tiger skins, as well as the skins of other Asian big cats, are used for ornamental purposes and purchased as prestige gifts, while their organs are used for traditional medicines. Bones are used to make traditional medicines as well as wine, which is marketed as both a tonic and as a virility product, depending on location of consumption. Almost every part of a tiger has a market, and these are sold openly<sup>27</sup> particularly in Lao PDR, Myanmar and Viet Nam, a large portion of which are sold to Chinese consumers.

Tiger populations are estimated to have declined by more than 95 per cent over the last century.<sup>28</sup> Today, there are believed to be as few as 3,200 to 3,900 wild tigers remaining across their Asian range, almost 70 per cent of which are found in India, and about 20 per cent in Indonesia, Malaysia, and Thailand. By contrast, captive tigers now outnumber the wild population, with more than 7,000 tigers being kept in captivity in facilities in China, Lao PDR, Myanmar, Thailand, and Viet Nam as well as in tiger farms in South Africa. A large number of these facilities have been implicated in the illegal trade in captive-bred tigers and their parts and derivatives.<sup>29</sup> At least 30 per cent of the seizures of tigers and their products between 2012 and 2015 were identified as having originated from captive breeding facilities, primarily from Thailand, followed by Viet Nam and Lao PDR. There has been little effort so far to strengthen legislative mechanisms or to otherwise regulate and control the smuggling of tigers from captive farms, despite numerous requests from CITES to do so.<sup>30</sup>

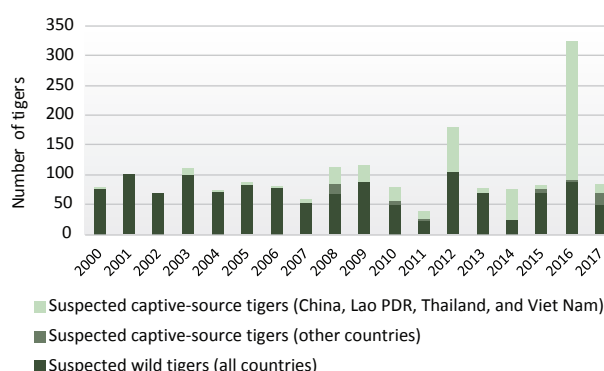
27 World WISE contains seizures of tiger claws, fat, genitals, hair, heads, oil, teeth, whiskers, medical preparations and derivatives, and other products.

28 See the documents of the Global Tiger Recovery Program (GTRP), endorsed in the St. Petersburg Declaration on Tiger Conservation at the International Tiger Forum ('Tiger Summit'), held in St. Petersburg, Russia 21-24 November 2010.

29 Environmental Investigation Agency, "Where are the tigers? End tiger farming to protect wild tigers", undated. Accessed at: <https://eia-international.org/where-are-the-tigers/>.

30 USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China." Issue 1, March 2018.

**Figure 4: Suspected sources of tigers intercepted in trade, 2000-2017\***



Note: \*Yearly breakdown does not include information reported to CITES across several years. Includes data from the Wildlife Protection Society of India and Education for Nature – Viet Nam.

Source: Environmental Investigation Agency, "Where are the tigers? End tiger farming to protect wild tigers", undated. Accessed at: <https://eia-international.org/where-are-the-tigers/>.

Bear bile, taken from the gallbladders primarily of the Asiatic black bear (*Ursus thibetanus*), has long been used in traditional medicine in East Asia and in East Asian diaspora communities as a treatment for a wide range of inflammatory and degenerative ailments. Ursodeoxycholic acid (UDCA), the active ingredient in bear bile, is a recognised drug in both Western and Chinese traditional medicine. Although bears bred in captivity are in abundance in the region, a synthetic form of UDCA has been developed, and both herbal and other animal substitutes are available, wild bear bile is still preferred by some consumers. While the trade in bear bile is illegal in most parts of the region, the cross-border trade in raw bear bile, live bears and manufactured bile products remains widespread. Asiatic black bears are protected globally in CITES Appendix I with the global population of Asiatic black bears declining by more than 30 per cent over the last 30 years.<sup>31</sup>

Based on past seizures, most bear bile products seized in the region originated in China, with other producer countries including Japan, Malaysia and Viet Nam as well as Russia.<sup>32</sup> More recent seizure data indicates that the Republic of Korea remains a major destination for bear bile products, in particular dried bile powder.<sup>33</sup> However, recent

31 *Ursus thibetanus* asiatic black bear. IUCN red list threat. D. Garshelis, R. Steinmetz. <http://www.iucnredlist.org/>.

32 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, April 2013.

33 WCO-RILO AP, "Analysis Report", WCO Regional Intelligence Liaison Office for Asia and the Pacific, Issue, No. 45, June 2018.



### Illegal, Unreported and Unregulated (IUU) fishing in Southeast Asia

Fish is one of the most important sources of animal proteins for human consumption, accounting for 17 per cent of animal protein consumed by the global population. Moreover, fish provides about 3.1 billion people with almost 20 per cent of their average per capita intake of animal protein.<sup>34</sup>

The Food and Agriculture Organization of the United Nations (FAO) estimates the global total capture fishery production in 2014 was 93.4 million tons, of which 87 per cent derive from marine waters and 13 per cent from inland waters. According to the FAO official Fish Stat database,<sup>35</sup> Southeast Asian countries, together with China and Japan, accounted for more than a third of the total, having an estimated total capture of aquatic animals of around 38.5 million tons, of which around 25.7 million tons are marine fish. China is the major marine fisheries producer in the world followed by Indonesia.

The importance of the sector in Asia is also well depicted by looking at its fishing fleet, the number of people employed in the sector and fish trade volume. The total number of fishing vessels globally in 2014 was estimated at 4.6 million, with the Asian fleet accounting for 76 per cent of the total number. This proportion is even more striking when considering that many Asian countries are still implementing their vessels' registration schemes and therefore the total number of Asian vessels is likely to be underestimated. In terms of employment, the fisheries sector in Asia employed in 2014 around 79 per cent of the 38.4 million people working in the fishery sector globally. In terms of trade volumes, the total fish and aquatic animals exports reported in 2014 from Southeast Asian countries, plus China and Japan, accounted for almost US\$ 47.8 billion, with China being the world's top exporter and Vietnam the third.<sup>36</sup>

**Figure 5: Proportion of Asian fishing vessels and Asian nationals employed in the fishing sector as a percentage of global totals**



Source: FAO, "The State of World Fisheries and Aquaculture 2016", Rome, 2016. Accessed at: <http://www.fao.org/3/a-i5555e.pdf>.

It is in this context of natural resources harvesting, trade flows and social concerns (food security and employment) that the problem of Illegal Unregulated and Unreported Fishing in the Southeast Asia region should be examined. According to the grey literature, the majority of IUU fishing in the region is related to trawlers and purse seiners that, for example, illegally fish in protected areas or foreign exclusive economic zones (EEZ), illegally transship to carrier vessels, land in convenience, non-monitored ports, use electrocuting devices or non-allowed nets, underreport their catch or bycatch of endangered and protected species. Gillnets and longliners gears are also a concern due to the bycatch of pelagic species or endangered and protected ones.

<sup>34</sup> FAO, "The State of World Fisheries and Aquaculture 2016", Rome, 2016. Accessed at: <http://www.fao.org/3/a-i5555e.pdf>.

<sup>35</sup> FAO, FishStat Plus. Accessed at: <http://www.fao.org/fishery/>.

<sup>36</sup> Data from UNCOMTRADE online database, <https://comtrade.un.org/>.

shifts in public attitudes and tightened government regulations on domestic bear farming have resulted in the industry shrinking in some countries (e.g. Viet Nam, the Republic of Korea) and increasing in others (e.g. China). For instance, a campaign in Viet Nam to ban the extraction of bile from captive bears has resulted in a significant decrease in the number of captive bears since it was implemented in 2006, from 4,000 to 1,200 in 2017.<sup>37</sup> Meanwhile, between 2012 and 2017, the number of bears kept in facilities at the frontier with China is estimated to have tripled.<sup>38</sup>

In addition to these species, wildlife trafficking can also include anything from insects, birds, reptiles and amphibians, both live and dead specimens, and a wide range of plants used for pharmaceutical, ornamental or medicinal purposes. The illegal harvest and trade include a range of species, from iconic ones such as gorillas and orangutans to birds, corals, fish, and sturgeon caviar. While a small number of live animals are trafficked for meat or medicinal purposes, most are destined to become showpieces in personal or public collections, highlighting the two distinct, but related, aspects of the live animal trade: the pet trade and the zoo trade.<sup>39</sup> In several countries, the capture and sale of wild-caught pets can be a way for rural communities to make money and for urban communities to express a link to the natural heritage of their countries. In Indonesia, for example, the popularity of songbird competitions has triggered the growth of the trade in wild-caught, but also captive-bred birds, most of which are at serious risk of extinction and sourced from domestic forests, although a large number of birds are imported from Malaysia and elsewhere in Southeast Asia.<sup>40</sup> Dedicated animal collectors may pay thousands of dollars for protected specimens, either captive bred or supplied from the wild, which in some cases may be a cheaper source. With expanding urban populations and growing

affluence, the potential demand for protected species could be large in comparison to sustainable offtake from wild populations or breeder output.<sup>41</sup>

## Overview of major flows

Southeast Asia is home to some of the world's largest illicit wildlife markets and the region plays a key role in the transportation of high value, highly endangered and illegally sourced African wildlife to Asia as well as from and through Southeast Asia to global destinations, including major markets in Japan, the Republic of Korea, the United States and Europe. The most important market, however, remains China.<sup>42</sup> This includes Hong Kong, China, where more than 90 per cent of the buyers are tourists from the mainland. Viet Nam is also an important destination market. Viet Nam, Thailand, Singapore and increasingly Lao PDR and Malaysia are major transit hubs. Additional key transit jurisdictions include the Philippines, Indonesia and Cambodia.<sup>43</sup>

A number of major seizures of illicit wildlife products were made in the first half of 2019, including several that qualify as the largest ever in the respective countries. These include the seizure of 30 tons of pangolins in Sabah, Malaysia in February 2019; 8.3 tons of pangolin scales originating from Africa concealed in 311 packages in a 20-foot container mis-declared as 120 bags of seeds seized in Hai Phong harbour in Viet Nam in March 2019, and 9.1 tons of ivory originating from the Democratic Republic of the Congo concealed in bars of lumber seized in Danang, Viet Nam, also in March. In the same month, 7.48 tons of ivory concealed in 62 wooden boxes was seized from a disused factory in Gaogou, China and 26 suspects were arrested. In addition, two massive seizures of pangolin scales shipped from Nigeria and destined for Viet Nam and seized in Singapore during the same week in April 2019 highlight Nigeria's emerging role as possible key departure point for illicit wildlife products from Africa. These seizures include a shipment of 12.9

37 Livingstone, E, Gomez, L. and Bouhuys, J. 2018. "A review of bear farming and bear trade in Lao People's Democratic Republic", in *Global Ecology and Conservation*, Vol. 13, January 2018. <https://doi.org/10.1016/j.gecco.2018.e00380>.

38 TRAFFIC, "Study calls for scrutiny of bear farms in Lao PDR", Kuala Lumpur, 26 April 2018. Accessed at: <http://www.traffic.org/home/2018/4/25/study-calls-for-scrutiny-of-bear-farms-in-lao-pdr.html>.

39 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

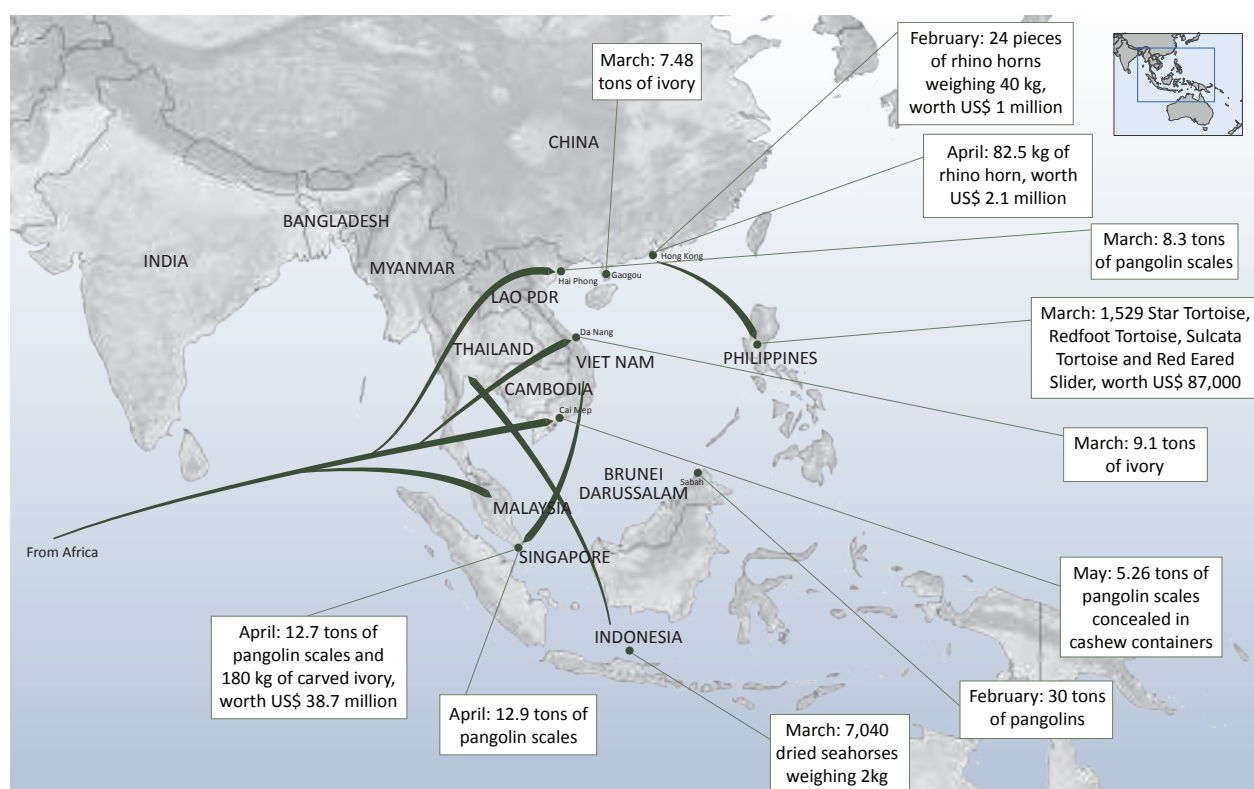
40 Radio Free Asia, "Demand for Pets Endangers Southeast Asia's Birds", 31 July 2018. Accessed at: <https://www.rfa.org/english/commentaries/asia-birds-07312018171743.html>.

41 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

42 Wildlife trafficking activity in China and Hong Kong, China is likely higher than in the rest of the world; however, the high levels of seizures reported by both is also partly a result of the robust reporting standards and customs and enforcement in mainland China and Hong Kong.

43 Mary Utermohlen and Patrick Blaine, "Flying Under the Radar: Wildlife Trafficking in the Air Transport Sector", USAID ROUTES Partnership, 2017.



**Map 1: Major seizures of illicit wildlife products in Southeast Asia and China, 2019 (Jan–May)**

Note: Flow arrows represent the general direction of trafficking and do not coincide with precise sources, are not actual routes, and are not weighted for significance/scale. Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations. Source: UNODC elaboration based on case information from authorities in the region.

tons seized on 3 April and another 12.7 tons seized along with 180 kg of carved elephant ivory seized on 9 April. The latter shipment was concealed in a container mis-declared as frozen beef and was estimated to be worth roughly US\$ 38.7 million.

### Trafficking of wildlife from Africa to and through Southeast Asia

Viet Nam is perhaps the most important Southeast Asian country in the illicit wildlife trade. Its geographical characteristics – long shared borders with Lao PDR, Cambodia and China, its vast (3,444 km) coastline and numerous harbours – make it an ideal place for trafficking.<sup>44</sup> In recent years, the country has been one of the world's biggest rhino horn destinations and a transit country for ivory products destined to Chinese markets.<sup>45</sup>

Viet Nam's major airports – Noi Bai International Airport in Hanoi and Tan Son Nhat International Airport in Ho Chi Minh City – have been identified as key links in the illicit supply chain. A number of other key wildlife trafficking hubs have been identified across the country, including the wildlife markets in Nhi Khe, near Hanoi.<sup>46</sup> The number of rhinos detected being traded through Nhi Khe in 2015 alone (579 rhinos) represents almost half of the total amount of rhinos poached that year in South Africa (1,175 rhinos).<sup>47</sup> Viet Nam is also a key transit route for illicit wildlife products from Malaysia and Indonesia, and it has a large domestic consumer market for wild-sourced rare and expensive meats, which are poached by criminal groups.<sup>48</sup>

44 Oxpeckers Center for Investigative Journalism, "Trafficking market goes wild in Vietnam", November 2015. Accessed at: <https://oxpeckers.org/2015/11/trafficking-market-goes-wild-in-vietnam/>.

45 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016; African and Asian Rhinoceroses – Status, Conservation and Trade, "A report from the IUCN Species Survival Commission (IUCN SSC) African and Asian Rhino Specialist Groups and TRAFFIC to the CITES Secretariat pursuant to Resolution Conf. 9.14 (Rev. CoP15).

46 Sarah Stoner, Pauline Verheij and Mickey Jun Wu, "Black Business: Illegal Rhino Horn Trade Dynamics in Nhi Khe, Viet Nam from a Criminal Perspective", Wildlife Justice Commission, 2017.

47 TRAFFIC, "South Africa reports small decrease in rhino poaching, but Africa-wide 2015 the worst on record", 21 January 2016. Accessed at: <https://www.traffic.org/news/south-africa-reports-small-decrease-in-rhino-poaching-but-africa-wide-2015-the-worst-on-record/>.

48 Rachel Shairp, Diogo Verissimo, Iain Fraser, Daniel Challender, and Douglas MacMillan, "Understanding Urban Demand for Wild Meat in Vietnam: Implications for Conservation Actions", *PLOS ONE*, 11 January 2016. Accessed at: <https://doi.org/10.1371/journal.pone.0134787>.

### Trafficking facilitated by the Internet

The online trade in wildlife products is used for both licit and illicit businesses. The use of e-commerce sites and social media platforms to facilitate trade is growing in Southeast Asia, especially Thailand and other countries that are important hubs of the illegal wildlife trade.<sup>49</sup> The internet offers anonymity, access to potentially millions of users globally, and breaks down the traditional physical barriers that make buying and selling illegal wildlife products difficult. These same factors also make it difficult for law enforcement to monitor and manage the rapidly growing online wildlife trade, especially when traders market illicit items as legal ones.

Facebook and other social networking platforms have become common tools for illegal traders in Southeast Asia and elsewhere because of their immense popularity and insufficient internal enforcement as well as the anonymity they offer users. Sellers initially communicate with buyers via public postings and then use private messaging services on these platforms to negotiate and close sales. This allows both buyers and sellers to conceal their location, while making it extremely difficult to effectively monitor illicit online trading.<sup>50</sup>

For example, the Malaysia Department of Wildlife and National Parks (PERHILITAN) receives an average of 50 reports of illegal wildlife trade online every day, and in June 2018, Department officials seized 680 live wild animals and parts, mostly reptiles and amphibians, in three separate operations targeting wildlife cybercrime.<sup>51</sup> The online trade in tortoises and freshwater turtles in Malaysia is indicated to have shifted from Internet commerce sites to social media. A similar trend is also being seen in Thailand, which is one of the world's top ten Facebook users, with more than 50 million users. Facebook is also becoming a leading platform for illicit wildlife trafficking in the Philippines, in particular for reptiles such as critically endangered crocodiles and rare tortoises, after research recorded 2,245 advertisements for unique live reptiles, representing more than 5,000 individual animals available on 90 Facebook groups, with a cumulative membership of almost 400,000 persons. More than half of the species are protected by CITES and all are protected under the Philippine Wildlife Act.<sup>52</sup>

Meanwhile, although online commerce platforms feature importantly in the wildlife trade to the United States, their use appears to be in decline. A study conducted across six cities found a significant decline in the ivory products available for sale in the top-three markets – New York City, San Francisco, and Los Angeles.<sup>53</sup> The study found that most of the items (almost 1,600 in total) included figurines, jewellery, and household goods, especially antique pianos with ivory keys, and were offered by 277 vendors. Washington, D.C. topped the list with 658 items for sale from 68 vendors.<sup>54</sup> A related survey of six major online platforms, including e-marketplaces and auction sites, found nearly 2,100 ivory items on sale from vendors in 47 states, the top three being Florida, California, and New York.<sup>55</sup>

49 Maethinee Phassaraudomsak and Kanitha Krishnasamy, "Trading Faces: A Rapid Assessment on the use of Facebook to trade wildlife in Thailand", TRAFFIC, Kuala Lumpur, September 2018. Accessed at: [https://www.traffic.org/site/assets/files/11073/trading\\_faces\\_thailand.pdf](https://www.traffic.org/site/assets/files/11073/trading_faces_thailand.pdf).

50 TRAFFIC, "Thailand's online wildlife trade piles pressure on species without protection", 12 September 2018. Accessed at: <https://www.traffic.org/publications/reports/trading-faces-a-rapid-assessment-on-the-use-of-facebook-to-trade-wildlife-in-thailand/>.

51 TRAFFIC, "Malaysia seizes over 680 wildlife and parts in operation against wildlife cybercrime", 08 June 2018. Accessed at: <https://www.traffic.org/news/malaysia-seizes-over-680-wildlife-and-parts-in-operation-against-wildlife-cybercrime/>.

52 TRAFFIC, "Facebook dominates as the main market place for illegal live reptile trade in the Philippines", 19 January 2018. Accessed at: <https://www.traffic.org/publications/reports/utilisation-of-facebook-to-trade-live-reptiles-in-the-philippines/>.

53 The baseline study of the US elephant ivory market was led by TRAFFIC, with support from the World Wildlife Fund (WWF) and the International Fund for Animal Welfare (IFAW).

54 TRAFFIC, "Trade Study sets new baseline for monitoring U.S. elephant ivory market", 2017. Accessed at: <https://www.traffic.org/publications/reports/trade-study-sets-new-baseline-for-monitoring-us-elephant-ivory-market/>.

55 USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China," Issue 1, March 2018.

Thailand has long been a primary consumer market and regional transit hub for exotic pets and high-value luxury items and a number of recent seizures indicate Thailand's prominence in the global supply chain, in particular serving the trafficking from Africa to Lao PDR. A significant number of Vietnamese male air passengers have been arrested smuggling illegal wildlife products from Africa, often transiting through Dubai to Suvarnabhumi International Airport in Bangkok, for further smuggling to Lao PDR.<sup>56</sup>

A series of large-scale seizures in Malaysia, Cambodia, Viet Nam and Hong Kong, China suggest that large quantities of ivory are first being sent to Malaysia and then are transported by sea from Malaysia, via ports in Cambodia and Viet Nam, to their final destination. Malaysia also has gained prominence as a major transit hub for the international trade in pangolins and their parts. In 2017, at least 32 tons of pangolin scales and 563 live pangolins were seized in Southeast Asia, equivalent to roughly 25,000–50,000 individual animals. Malaysia was a transit country in most of these seizures.<sup>57</sup>

### Trafficking of wildlife within Southeast Asia and from Southeast Asia to global markets

Lao PDR has become a major global hub for the trafficking of high value and highly threatened species into other Asian markets, and the country has been identified as the world's fastest growing ivory market.<sup>58</sup> Most of the ivory sold in Lao PDR originates from elephants poached in Africa and a large portion is smuggled into the country through Thailand, which has enacted stricter regulations on its own ivory trade, prompting Thai traders to off-load their ivory on the Lao market.<sup>59</sup> While some wildlife is smuggled across the land border with Thailand, it appears that air couriers are increasingly being used to smuggle products through Thailand's Suvarnabhumi International Airport and onward to Lao PDR. In addition, the sale of ivory through Chinese-owned retail outlets in major cities has expanded significantly in Lao PDR since 2013.

56 WCO-RILO AP, "Analysis Report", WCO Regional Intelligence Liaison Office for Asia and the Pacific, Issue, No. 45, June 2018.

57 USAID, "USAID Wildlife Asia Counter Wildlife Trafficking Digest: Southeast Asia and China," Issue 1, March 2018.

58 Save the Elephants, 'New Research Shows Laos is now the fastest growing ivory market in the world.' <https://www.savetheelephants.org/about-ste-2/press-media/?detail=new-research-shows-laos-is-now-the-fastest-growing-ivory-market-in-the-world>.

59 Ibid.

These shops cater mostly to mainland Chinese visitors, who account for more than 80 per cent of the buyers and are drawn by the considerably lower prices than in China.<sup>60</sup>

Though the Lao government vowed in 2016 to shut down all tiger farms, the country is home to approximately 700 captive farmed tigers. Special economic zones in the region appear to be the major conduits for the trade in tiger skins and parts. Some of the tigers traded in the illicit market come from India, Malaysia, and Thailand while live captive-bred tigers are trafficked from Thailand to stock farms in Lao PDR for ultimate sale to Chinese and Vietnamese consumers.<sup>61</sup> Due to the country's strategic location and lack of capacity and will to enforce CITES regulations and national wildlife laws, Lao PDR will likely continue to grow in importance as a hub of the international wildlife trade.

CITES seizure data indicate that the United States is a key market for Thai tiger products, including skin, teeth, powder and medicines. Thailand is also a major hub for the trafficking of CITES protected species to feed the exotic pet trade in the United States, Europe and elsewhere in Asia. A loophole in Thailand's Wild Animal Reservation and Protection Act of 2014 appears to have enabled the smuggling of animals into Thailand to be laundered as captive-bred specimens for further trafficking. The popular Chatuchak Market in Bangkok is widely believed to be the epicenter of this trade,<sup>62</sup> although air passengers also often smuggle exotic animals from Bangkok to various destinations.

Indonesia has vast forests full of wildlife which are targeted for trafficking. Its orangutans, gibbons, lemurs and other primates as well as leopards and other big cats are poached and smuggled to destinations across the world. It also has a large market for the illicit trading of rare and protected birds, reptiles, as well as several marine species, including sea turtles and nautilus. The country is home to the world's second largest number of threatened bird species (131 species, behind only Brazil), and birds are reportedly being sold domestically in major cities and illegally exported abroad for sale as pets.<sup>63</sup>

60 Ibid.

61 Environmental Investigation Agency, "Sin City: Illegal wildlife trade in Laos' Special Economic Zone, London, March 2015.

62 UNODC, "Criminal justice response to wildlife crime in Thailand: A rapid assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, June 2017.

63 RT News, "Indonesian smugglers stuffed exotic birds in drainpipes", 18 November 2018. Accessed at: <https://www.rt.com/news/410240-indonesian-smugglers-birds-pipes/>.

The Philippines, which has its own bird and reptiles smuggling networks, is both a source and destination market for the illicit trade with Indonesian smugglers. In 2018, Philippine authorities arrested four men at a residence in Pasay City and seized a total of 312 birds and mammals, most of which were thought to have originated from New Guinea and were destined for Indonesia.<sup>64</sup> Reptile trafficking through Indonesia's airports, mostly of domestically poached specimens, is estimated to have increased by 30 per cent in 2017 compared with the previous year.<sup>65</sup>

Malaysia also has its own domestic poaching problem, conducted by a small number of armed and organized poaching groups who target wild elephants,<sup>66</sup> the Malayan tiger, clouded leopard, Sunda pangolin and sun bear.<sup>67</sup> Malaysia is used as a transit country for the smuggling of reptiles, rare and protected birds and other illegal wildlife parts from domestic sources and other countries such as Viet Nam to markets in Thailand and Indonesia.

The number of wildlife trafficking seizures in Myanmar is considerably lower than those made elsewhere in the Mekong region, but the country is an increasingly important transit point for the illicit wildlife trade. During the 2013–2017 period, a total of 34 pangolin seizures were made, which totalled more than 1.2 tons of scales and other pangolin parts.<sup>68</sup> Myanmar (as well as Viet Nam) is a known route for the overland trafficking of pangolin into Yunnan province of China.<sup>69</sup>

Myanmar also has a modest trade in elephant skins. The skins are often found for sale in the popular wildlife border markets in special economic zones such as Mong La and Tachilek, where several other

illicit wildlife products are openly available. The illicit trade in tigers and their parts is facilitated by Myanmar's tiger farms, with the country a key transit location for the trafficking of tigers from India to China and Lao PDR.<sup>70</sup> Notably, Myanmar has not recorded any seizures of ivory.

### Profiles of major trafficking groups and their methods and means

The illicit wildlife trade relies on a sophisticated global supply chain, run by well-funded transnational organized criminal groups and underpinned by high levels of corruption. The massive quantities seized, especially during the last few years, together with what has been learned from arrests and prosecutions cases, suggests that these trafficking networks are often well-organized and involve highly specialised actors at various stages of the trafficking, each involving their own methods, routes and markets. They are not typically controlled by single central leader but can include different domestic and international specialists involved in the storage, handling, transport, manufacture, industrial production, marketing and retail of wildlife products. The wildlife trade is also conducted more simply, with individual consumers making direct contact with specialty suppliers who are also part of the trade, sometimes buying through scrap yards, taxidermy shops, pet fairs, warehouses and health clinics, as evidenced by recent seizures.<sup>71</sup>

As with some other commodities, the main proof of wildlife legality relies on a system of permits and paperwork, which in some countries can easily be undermined. Corruption, in the form of bribery or otherwise, can occur in any point along the process where permits are required. One of the main challenges in detecting illicit wildlife trade is that it is often embedded in the legal trade. Fraudulent paperwork, such as fake CITES permits<sup>72</sup> can transform, or 'launder', wildlife contraband into seemingly legitimate merchandise, enabling products to be openly traded with minimal risk of interdiction.

64 TRAFFIC, "Philippine bird trade targets Indonesian species", Manila, 16 March 2018. Accessed at: <https://www.traffic.org/news/philippine-bird-trade-targets-indonesian-species/>; Radio Free Asia, "Demand For Pets Endangers Southeast Asia's Birds", 31 July 2018. Accessed at: <https://www.rfa.org/english/commentaries/asia-birds-07312018171743.html>.

65 USAID ROUTES Partnership, "In Plane Sight: Wildlife Trafficking in the Air Transport Sector", August 2018. Accessed at: [https://www.traffic.org/site/assets/files/10858/in\\_plane\\_sight.pdf](https://www.traffic.org/site/assets/files/10858/in_plane_sight.pdf).

66 Agence France-Presse, "Notorious elephant poachers arrested in Gerik; groups heavily armed", 14 March 2018. Accessed at: <https://www.nst.com.my/news/nation/2018/03/345008/notorious-elephant-poachers-arrested-gerik-group-heavily-armed>.

67 UNODC, "Criminal justice response to wildlife crime in Malaysia: A rapid assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, November 2017.

68 Myanmar Government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

69 Wild Aid, "Pangolins on the brink", September 2016.

70 Environmental Investigation Agency, "Where are the tigers? End tiger farming to protect wild tigers", undated. Accessed at: <https://eia-international.org/where-are-the-tigers/>.

71 Interpol, "Anti-wildlife trafficking operation results in global arrests and seizures", 02 March 2017. Accessed at: <https://www.interpol.int/News-and-media/News/2017/N2017-022>.

72 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.



To minimise the risk of detection and to maximise profits, it is widely recognised that criminal syndicates are constantly adapting their trafficking routes and methods in response to law enforcement efforts and other developments. Most of the groups involved in large-scale ivory trafficking are believed to be well-financed and well-connected Asian-run networks based in Africa with specialised knowledge and sophisticated procurement networks for poaching elephants in protected areas. Some are also known to conduct coordinated thefts of government-held ivory stocks.<sup>73</sup>

Asian criminal groups are also directly involved in the procurement and trafficking of rhino horn from Africa to markets in Asia, especially Viet Nam, mostly involving Chinese and Vietnamese nationals.<sup>74</sup> These groups recruit African poachers to conduct the hunting, often in protected areas. Chinese nationals also have been arrested in possession of illicitly obtained rhino horn throughout Africa and Europe, with several cases recorded in Namibia in recent years.<sup>75</sup> Vietnamese nationals have been arrested in several African countries, and in transit countries such as Qatar, the Czech Republic, Thailand, Singapore and China. In addition, recent seizure data from South Africa indicate that criminal networks of Chinese origin operating in South Africa may no longer be illegally exporting whole rhino horns, but are increasingly processing and working the horns into smaller pieces locally to better evade detection en route to consumers in Asia.<sup>76</sup>

In Viet Nam, international postal services and legitimate transnational logistics companies are commonly used to transport large quantities of ivory. Smaller amounts are smuggled across the border by motorcycle, boat or on foot, or as passengers on trains, buses and airplanes. In the north of Viet Nam, a sophisticated network of wildlife traffickers has been established to smuggle

locally manufactured ivory products to consumers in China, involving Chinese-speaking tour guides, middlemen, retailers, and wholesalers, and Vietnamese smugglers.<sup>77</sup>

Data show that traffickers are increasingly targeting the air transport sector to smuggle wildlife products from source countries to destination markets. Container shipping represents the most cost-effective transport and, in general, lowest-risk method for moving heavy and high-volume illicit cargoes such as ivory. Only a small percentage (typically less than 5 per cent and possibly lower at African seaports) of containers are subject to inspection at seaports. For example, Hong Kong port processed more than 20 million containers in 2017, approximately 60 per cent of which consisted of transshipment cargo.<sup>78</sup> However, air transport, although significantly more expensive than maritime shipping, appears to be becoming increasingly favoured by wildlife trafficking groups, for the smuggling of small products such as pieces of ivory jewellery or rhino horn in the luggage of air passengers up to shipments of multi-ton cargo consignments. Wildlife smugglers count on being overlooked by overwhelmed customs and enforcement officials – even in the United States, screeners at airports were found to have failed to identify contraband material 95 per cent of the time.<sup>79</sup>

A considerable number of wildlife seizures have implicated government officials in the Southeast Asia region. In December 2017, Thai officials were reported to have arrested three individuals suspected of conspiring to traffic 14 rhino horns from South Africa into Thailand.<sup>80</sup> These included a Thai National Parks and Wildlife Conservation official who was caught while attempting to smuggle rhino horn from the quarantine section at Suvarnabhumi Airport to a nearby residence.<sup>81</sup>

73 Tom Milliken, "Illegal Trade in Ivory and Rhino Horn: An assessment to improve law enforcement under the wildlife TRAPS project", TRAFFIC, 2014. Accessed at: <https://www.usaid.gov/sites/default/files/documents/1865/W-TRAPS-Elephant-Rhino-report.pdf>.

74 Sade Moneron, Nicola Okes and Julian Rademeyer, "Pendants, Powder and Pathways: A rapid assessment of smuggling routes and techniques used in the illicit trade in African rhino horn", TRAFFIC East/Southern Africa Regional Office, Pretoria, South Africa, 17 September 2017. Accessed at: <https://www.traffic.org/site/assets/files/1313/pendants-powder-pathways.pdf>.

75 Ibid.

76 Ibid.

77 Opeckers Center for Investigative Journalism, "Trafficking market goes wild in Vietnam", November 2015, <https://oxpeckers.org/2015/11/trafficking-market-goes-wild-in-vietnam/>.

78 Government of Hong Kong, China, "Hong Kong: The Facts. The Port", April 2018.

79 ABC News, "TSA Director Reassigned in Wake of Security Failures", 02 June 2015. Accessed at: <https://abcnews.go.com/US/tsa-director-reassigned-wake-security-failures/story?id=31458476>.

80 Bangkok Post, "Three held after B50m rhino horn bust." 14 Dec. 2017. Accessed at: <https://www.bangkokpost.com/archive/three-held-after-b50m-rhino-horn-bust/1378183>.

81 Agence France-Presse, "Thai police arrest 'kingpin' in Asian wildlife trafficking", 14 June 2018. Accessed at: <https://www.nst.com.my/world/2018/01/327068/thai-police-arrest-kingpin-asian-wildlife-trafficking>; Freeland, "'Untouchable' Wildlife Kingpin Arrested Thai Police Nab Notorious Trafficker Hunted for over a Dec", 20 January 2018. Accessed at: <https://www.freeland.org/newsroom/untouchable-wildlife-kingpin-arrested-thai-police-nab-notorious-trafficker-hunted-for-over-a-dec>.

This led police to the arrest in January 2018 of the suspected financier and leader of the smuggling network, a Vietnamese national based in Thailand with suspected links to the drug trade between Lao PDR and Thailand. The network was identified as having long been involved in the global supply chain of various illicit wildlife products from Asia and Africa to major dealers in Lao PDR, Viet Nam and China.<sup>82</sup> In January 2019, a Thai court dismissed the case.<sup>83</sup>

A number of other important figures in the illicit wildlife trade have been arrested in Southeast Asia. These include the arrest in January 2018 of a Vietnamese suspect who had operated a captive tiger farm in Viet Nam since 2006. He was suspected of facilitating the illegal trade in tigers and in conducting the large-scale trafficking of ivory, rhino horn and pangolin into Viet Nam.<sup>84</sup> In March 2018, he was sentenced to 13 months in prison.<sup>85</sup> In February 2018, Indian authorities arrested a Singapore-based Indian national and alleged kingpin of India's illegal turtle trade, with links to smugglers in Thailand, Malaysia, China (including Hong Kong, China and Macau, China) and Madagascar. He reportedly smuggled vast quantities of turtles out of India to transit hubs in Hong Kong, China and Singapore via Sri Lanka and Bangladesh.<sup>86</sup> He had previously been arrested at Suvarnabhumi Airport in Bangkok in 2012 with some 900 rare species of turtles but was released illegally.<sup>87</sup>

82 Freeland, "'Untouchable' Wildlife Kingpin Arrested Thai Police Nab Notorious Trafficker Hunted for over a Dec", 20 January 2018. Accessed at: <https://www.freeland.org/newsroom/untouchable-wildlife-kingpin-arrested-thai-police-nab-notorious-trafficker-hunted-for-over-a-dec>.

83 Bangkok Post, "Case against wildlife trafficking 'kingpin' dismissed", 30 January 2019. Accessed at: <https://www.bangkokpost.com/news/general/1620570/case-against-wildlife-trafficking-kingpin-dismissed>.

84 Environmental Investigation Agency, "Suspected captive-bred tiger trade kingpin to go on trial in Viet Nam", 26 January 2018. Accessed at: <https://eia-international.org/suspected-captive-bred-tiger-trade-kingpin-to-go-on-trial-in-vietnam/>.

85 Viet Nam News, "NGO wants harsher punishment for wildlife trafficking leader", Viet Nam News, 23 March 2018. Accessed at: <https://vietnamnews.vn/society/425046/ngo-wants-harsher-punishment-for-wildlife-trafficking-leader.html#Cw76spJRGyXQgw68.97>.

86 Hindustan Times, "Kingpin of India's illegal turtle trade market arrested", 05 February 2018, <https://www.hindustantimes.com/bhopal/international-turtle-smuggler-arrested/story-ywcljjq8HljBUCH7SanlTI.html>.

87 The Pioneer, "Arrest of turtle smuggler: Interpol praises India", 01 August 2018, Accessed at: <https://www.dailypioneer.com/2018/state-editions/arrest-of-turtle-smuggler-interpol-praises-india.html>.

## Looking ahead

Illegal wildlife trafficking in Southeast Asia may increase in value due to declining wild populations of luxury items, stricter national legislation and enforcement, and growing demand. Enhanced restrictions in given jurisdictions will likely displace the market to other locations and products where enforcement is less robust. At the same time, the use of online commerce and social media platforms for the marketing and sale of illicit wildlife products will likely continue to expand. In addition, the exponential increase in international travel, particularly in the air transport sector, will require that law enforcement and the private sector must strengthen their response to better counter the international flow of illicit wildlife.

The impacts of wildlife crime are significant and far-reaching, from the extinction of iconic species, to the loss of livelihoods of local communities, and threats to sustainable development, good governance, rule of law, and national security. However, a widespread lack of political will to fully prioritize and manage wildlife crime on par with the scale and urgency of the issue, and the failure of many jurisdictions to recognize these crimes as transnational organized crimes and to employ the full range of law enforcement tools available – particularly financial investigation – will allow the illicit trade to continue.

Nevertheless, there has been increased openness in information and intelligence sharing to promote inter-agency operations and cross border cooperation on combating wildlife crimes, and some of these efforts have resulted in intelligence-led investigations which have allowed authorities to identify and arrest some key offenders.

## Policy options and responding

On September 21, 2017, the UN General Assembly concluded its 71st session with the 193 Member States adopting a resolution on countering illicit wildlife trafficking. The resolution includes commitments to enhance national legislation and enforcement efforts, counter corruption, and use new technologies to counter crime, alongside measures to support sustainable livelihoods and undertake targeted demand-reduction efforts. ASEAN has a legal framework to combat wildlife



trafficking, and it is important that governments in Southeast Asia now take measures to fully implement and act upon these international and regional commitments.

It is important that this is accompanied by parallel efforts to address the information gap to better understand the illicit trade. Technical assistance can be provided to CITES parties who may have trouble complying with reporting requirements. Ideally, this data would include the source, date, location, species, quantity, intended destination and purpose related to seized shipments. This data should be complemented with qualitative research as well as additional trade and criminal justice data to provide the evidentiary basis for a regionally or internationally coordinated prevention strategies.<sup>88</sup>

Legislation could also allow the use of alternative offences to pursue wildlife crimes, such as fraud, corruption, bribery, tax evasion, racketeering, etc.; and practitioners should be encouraged to use these alternative provisions. In addition, legislation would be more effective by enabling wildlife crime to be considered a predicate offence for money laundering, so that anti-money laundering tools can be used. Governments in Southeast Asia should review their criminal legislation to ensure that law enforcement agencies are fully authorized to follow the financial flows related to wildlife crime and to prosecute money laundering offences.<sup>89</sup>

88 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

89 UNODC and Asia/Pacific Group on Money Laundering, "Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime", Research Report, 2017.



**Timber**





## Timber

### Overview of the situation

Illegal logging is one of the most destructive environmental crimes, threatening not only specific species, but entire habitats and human life, and when it is associated with deforestation it contributes to climate change. It is transnational in nature, with organized crime facilitating the cross-border sourcing and smuggling of illicitly harvested timber around the world. The consequences of the illicit trade on tropical forest ecosystems, global climatic conditions and the rule of law are also unbounded by national borders. Driven by consumer demand for cheap timber and pulp in developed economies, illegal logging mostly occurs in the underdeveloped forest regions of East and Southeast Asia, the Pacific Islands, the Amazon and parts of Africa.

Much of the illegal trade in timber in Southeast Asia continues to be conducted alongside the legal trade, by formal business enterprises operating through fraudulent or corrupt methods to evade logging restrictions, conceal the illicit origins of a consignment, and trade their products on the legal consumer market. There is also an unknown amount of unrecorded trade, especially within the region. As the latter is more difficult to describe with any certainty, the following discussion focuses on wood that is illegally acquired but officially traded.

Various government logging bans and other timber sector regulations in Southeast Asia are helping

to reduce the illegal trafficking of timber from the region. Yet, these same efforts, coupled with high demand, are driving up prices and displacing the trade to alternative species and more vulnerable source countries within and beyond Southeast Asia.

### Nature of the market

Large-scale logging has been a feature of commerce in Southeast Asia since the colonial era, when European logging companies cleared vast sections of forests to supply the demand for teak and other tropical hardwoods back home. The great majority of post-World War II logging was carried out first by American and then Japanese enterprises in order to rebuild Japan. The Philippines was the first country of the region whose forests became commercially exhausted at that time.<sup>1</sup> The growth of the local logging industry after independence and the subsequent over-exploitation of forests by domestic firms led to a number of countries implementing national logging bans in the late 1980s and early 1990s, including Thailand and Indonesia.<sup>2</sup> Today, however, Southeast Asia is among the world's largest sources of timber and it remains a major destination and transit region for the illegal global trade.

1 S. Liu Dawling, Louis R. Iverson and Sandra Brown, "Rates and Patterns of Deforestation in the Philippines: application of geographic information system analysis", in *Forest Ecology and Management*, Vol. 57 (1-4): 1-16, March 1993.

2 Thomas R. Waggener, *Logging bans in Asia and the Pacific: An overview*, Food and Agriculture Organization of the United Nations, undated. Accessed at: <http://www.fao.org/3/x6967e/x6967e04.htm>; Food and Agriculture Organization of the United Nations (FAO), "The Indonesian wood panel industry", undated. Accessed at: <http://www.fao.org/3/u4200e/u4200e04.htm>.

Indonesia and Malaysia rank among the top three global suppliers of legal tropical timber,<sup>3</sup> and some outside observers claim they are key suppliers of illegal tropical timber as well.<sup>4</sup> These same observers argue that the situation has improved substantially over the past decade, however. Yet, weak governance of forest resources, unclear forest tenure, corruption in timber supply chains, and the region's proximity to consumer markets and timber processing industries in China continue to make Southeast Asia's timber species high-value targets for the criminal networks that facilitate the illicit trade.

In this chapter, the term 'illegal logging' refers to one or more of the following activities: logging of protected or endangered species; logging in protected or prohibited areas; excessive logging; logging without permits or with fraudulent permits; obtaining logging permits illegally; non-payment of taxes and other forest fees; and damaging forest ecosystems.<sup>5</sup> Illegal logging and the illegal allocation of permits to log or deforest often involves cutting common or undifferentiated species for pulp and paper or charcoal. In addition, the international trade of tropical hardwood furniture appears to target specific rare timber species in economically underdeveloped countries. Illegal logging and the related trade may take place on an industrial scale or involve only small-scale violations, producing limited, localised impacts.<sup>6</sup> Corruption in the global forestry sector is a key facilitator of the crime, and arises from multiple opportunities to violate the law throughout the entire supply chain.

Common illegal practices in the timber trade include harvesting or clearing forest without the required license from a government ministry or other authority; the illegal acquisition of logging concessions through the use of bribes, corruption and fraudulent licenses; harvesting in designated protected areas such as national parks or forest reserves; illegal land conversion in which natural

forests are cleared for other land uses such as agriculture, mining or infrastructure (also referred to as 'conversion timber'); harvesting in excess of permitted quotas; failing to report harvesting activity to avoid relevant taxes for timber resources or land acquisition; failure to enforce required environmental mitigation measures during forest clearance; illegal processing, transportation and export of timber; and violating international trade regulations or agreements such as export bans or the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).<sup>7</sup>

Appendix II of the CITES Convention allows the sustainable, regulated harvest and trade of certain species under a system of quotas and permits at levels determined not to threaten their survival. Aside from CITES, however, most importing countries lack a legal basis for refusing wood that was harvested or traded in violation of source country regulations. The trade in valuable timber species that may be under national protection, but are not currently CITES-listed species, is another issue.

Transnational organized crime groups involved in timber trafficking in Southeast Asia have a comparative advantage for a number of reasons, including continually expanding transportation infrastructure, porous land borders, and inconsistent oversight of the legitimate wood trade. Initiatives to develop road, rail and maritime links within the region have opened up previously remote areas, making it easier for traffickers to cut trees and transport timber. Illegal timber consignments that transit through major seaports and free trade zones can be easily laundered as legitimate product via fraudulent documentation before entering their final markets.

In addition, corruption in the forestry sector in several Southeast Asian countries has enabled complicit wildlife and forestry officials as well as politicians and business people to receive benefits

3 FAO, "Global Forest Resources Assessment 2015: How are the world's forests changing?" Food and Agriculture Organization of the United Nations, Rome, 2016. Accessed at: <http://www.fao.org/3/a-i4793e.pdf>.

4 Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Accessed at: <http://www.flegtactionplan.eu>.

5 UNODC, "Wildlife and Forest Crime Analytic Toolkit", UNODC, Vienna, November 2012; Chatham House, "What is illegal logging?", undated. Accessed at: <https://www.illegal-logging.info/TOPICS/WHAT-ILLEGAL-LOGGING>.

6 Chatham House, "What is illegal logging?", undated. Accessed at: <https://www.illegal-logging.info/TOPICS/WHAT-ILLEGAL-LOGGING>.

7 Seneca Creek Associates, LLC and Wood Resources International, LLC, "'Illegal' Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry", American Forest & Paper Association, November 2004; Daphne Hewitt, "Potential Legality Issues from Forest Conversion Timber", Forest Trends Report Series, November 2013.

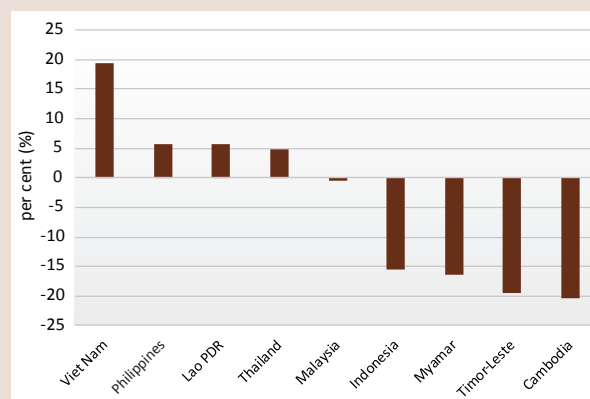
## Illegal logging and the Sustainable Development Goals (SDGs)

The consequences of illegal logging extend far beyond the forestry sector, impeding development goals at both national and global levels. The loss of biodiversity deprives forest-dependent communities of essential resources, while deforestation also accelerates land degradation and desertification, increasing the risk of floods, landslides, droughts, dust and sand storms and other disasters.<sup>8</sup> In many regions, forests also have important cultural and spiritual values. The clearing of forests for development projects has been found to have a particularly adverse impact on women, depriving them of the land and natural resources upon which they depend for their traditional and cultural roles in the community.<sup>9</sup>



The rate of forest loss has been more severe in some Southeast Asian countries than in others, but the amounts vary depending on the definition of “forest”.<sup>10</sup> According to estimates by the Food and Agriculture Organization of the United Nations (FAO), between 1990 and 2016, some of the countries increased the share of land covered by forest (Lao PDR, from about 77 per cent to 82 per cent; Philippines, from 22 per cent to 28 per cent; Thailand, from 27 per cent to 32 per cent; and Viet Nam, from 29 per cent to 48 per cent) and some decreased (Cambodia, from 73 per cent to 53 per cent; Indonesia, from 65 per cent to 50 per cent; and Myanmar, from 60 per cent to 44 per cent), while the share in Malaysia has remained stable, at about 68 per cent.<sup>11</sup>

**Figure 1. Change in forested area in selected Southeast Asian countries, 1990-2016**



Source: FAO data available at [https://data.worldbank.org/indicator/AG.LND.FRST.ZS?end=2016&name\\_desc=true&start=1990](https://data.worldbank.org/indicator/AG.LND.FRST.ZS?end=2016&name_desc=true&start=1990).

The sustainable management of forests and trees outside forests is integral to the implementation of the 2030 Agenda for Sustainable Development, including achieving SDGs, especially SDG 15, which resolves to sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss. In addition, SDG 13 calls on governments to take action on combating climate change.<sup>12</sup> Illegal logging directly impedes and hinders the achievement of development goals at both national and global levels.

Promoting a decrease in the proportion of trade in illegal wood-based products will also have positive impacts on peace and security, justice and jobs, global climate change and biodiversity conservation.<sup>13</sup> However, according to the International Tropical Timber Organisation, less than 20 per cent of the area available for production in the world’s permanent forest estate was being managed sustainably in 2010.<sup>14</sup>

8 United Nations, “United Nations strategic plan for forests, 2017-2030”, undated. Accessed at: [http://www.un.org/esa/forests/wp-content/uploads/2016/12/UNSPF\\_AdvUnedited.pdf](http://www.un.org/esa/forests/wp-content/uploads/2016/12/UNSPF_AdvUnedited.pdf).

9 Asia Indigenous Peoples Pact, “Indigenous Women in Southeast Asia: Challenges in Their Access to Justice”, March 2013.

10 Mongabay, “In defining plantations as forest, FAO attracts criticism”, 21 March 2017. Accessed at: <https://news.mongabay.com/2017/03/in-defining-plantations-as-forest-fao-attracts-criticism/>.

11 FAO data available at [https://data.worldbank.org/indicator/AG.LND.FRST.ZS?end=2016&name\\_desc=true&start=1990](https://data.worldbank.org/indicator/AG.LND.FRST.ZS?end=2016&name_desc=true&start=1990).

12 United Nations, “United Nations strategic plan for forests, 2017-2030”, undated. Accessed at: [http://www.un.org/esa/forests/wp-content/uploads/2016/12/UNSPF\\_AdvUnedited.pdf](http://www.un.org/esa/forests/wp-content/uploads/2016/12/UNSPF_AdvUnedited.pdf). Also see the Illegal Logging Portal Sustainable Development Goals: <https://www.illegal-logging.info/topics/sustainable-development-goals-sdgs>.

13 EUFLEGT Facility, “VPAs for SDGs: How Voluntary Partnership Agreements contribute to development goals”, Factsheet, undated. Accessed at: <http://www.euflegt.efi.int/publications/vpas-for-sdgs>.

14 ITTO, “Status of Tropical Forest Management”, Table 6, ITTO Technical Series 38, Yokohama, Japan. Accessed at: [https://www.ito.int/direct/topics/topics\\_pdf\\_download/topics\\_id=2645&no=1&disp=inline](https://www.ito.int/direct/topics/topics_pdf_download/topics_id=2645&no=1&disp=inline).



in the form of bribes and commissions.<sup>15</sup> At the same time, the illegal timber trade also produces adverse economic consequences, when governments lose tax revenue from the legal harvesting of forests and natural resources and when businesses sourcing legal timber lose profits and competitiveness to illegal timber supplies sold at lower prices. Although there is little data related to the scale of the financial damages related to illegal logging, the findings from a study by Indonesia's Corruption Eradication Commission (KPK), reported by the media, indicated the country lost up to US\$ 9 billion in revenue as a result of the illegal timber trade between 2003 and 2014.<sup>16</sup> Moreover, processes for allocating forest concessions in Southeast Asia often lack transparency despite publicly announced auctions or bidding mechanisms.<sup>17</sup> These weaknesses have proven difficult to address, since well-connected interest groups tend to benefit from the status quo and resist change.<sup>18</sup>

The levels of political commitment and operational capacity to counter the illicit timber trade in Southeast Asia are still not commensurate with the scale of the threat. However, following the introduction of legislation to ban the import of illegally harvested timber and wood-based products by a number of countries – for example, the United States Lacey Act (passed in 1900 but amended in 2008 to include timber products), the European Union Timber Regulation (2010),<sup>19</sup> and Australia's Illegal Logging Prohibition Act (2012), which require companies to ensure that their imports are of legal provenance<sup>20</sup> – several governments in Asia also began to adopt measures to regulate the trade in illegal timber. Indonesia, Malaysia and Viet Nam as well as Japan and the Republic of Korea have developed or strengthened regulations designed to ban illegally logged timber from their markets.

Indonesia, Malaysia and Viet Nam revamped their import measures as a key component of the timber legality assurance systems that underpin Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPAs).<sup>21</sup> In 2016, Lao PDR introduced a ban on the export of logs and sawnwood and ordered that all timber must be transformed in-country before being exported. Myanmar banned the export of raw logs in 2014, and China has expanded its ban on commercial logging to include nearly all of its last remaining natural forests.<sup>22</sup> In addition, in October 2015, member states of the Association of Southeast Asian Nations (ASEAN) approved a framework to prioritise wildlife and timber trafficking threats, through the ASEAN Senior Officials Meeting on Transnational Crime (SOMTC). Measuring impact of such regional policy changes remains challenging. These initiatives supplement those of APEC's Experts Group on Illegal Logging and Associated Trade (EGILAT).

Though they should improve prospects for sustainable long-term development, such regulations governing the timber sector are frequently violated in Southeast Asia and, when enforced, may have the effect of displacing the supply and the environmental impact to other, more vulnerable countries, as import restrictions in one group of markets will likely cause displacement if markets elsewhere expand as a consequence. For instance, the recent increase in China and Viet Nam's imports from the Congo Basin and other African countries<sup>23</sup> has occurred following the recent bans by exporting countries including Lao PDR and Myanmar (and not as a result of importing country regulations which came into force some years previously). A good example of this diversification of source countries and species for high value products is evident in the illicit trade of rosewood in Southeast Asia.

15 CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016.

16 Reuters, "Indonesia loses up to \$9 bln from timber clearing - anti-graft body", 09 October 2015. Accessed at: <https://www.reuters.com/article/indonesia-forests-kpk/indonesia-loses-up-to-9-bln-from-timber-clearing-anti-graft-body-idUSL3N1280PE20151009>.

17 UNODC, "Wildlife and Forest Crime Analytic Toolkit", UNODC, Vienna, November 2012.

18 World Bank, "Sustaining Forests and Livelihoods in a Changing World", 29 January 2013.

19 Formally titled Regulation (EU) No 995/2010 of the European Parliament and of the Council, the European Union Timber Regulation was published in 2010 and came into effect in 2013.

20 UNODC, "Wildlife and Forest Crime Analytic Toolkit", UNODC, Vienna, November 2012.

21 The EU FLEGT Action Plan was first published in 2003. It sets out seven measures to prevent the importation of illegal timber into the EU, improve the supply of legal timber, and increase demand for timber from responsibly managed forests. EU FLEGT, "About FLEGT", undated. Accessed at: <http://www.flegt.org/about-flegt>; Marigold Norman and Jade Saunders, "Regulating the Trade in Illegal Timber: Asian Approaches Compared – State of Play June 2017", Forest Trends Report Series, Forest Policy, Trade and Finance, August 2017.

22 Forest Trends, "China's Logging Ban Impacts Not Just Its Own Forestry Industry, but Others around the World as Well", Viewpoints: A Forest Trends Blog, 14 March 2016. Accessed at: <https://www.forest-trends.org/blog/chinas-logging-ban/>.

23 IUFRO, "Chapter 3 Quantifying Illegal Logging and Related Timber Trade", in *Illegal Logging and Related Timber Trade - Dimensions, Drivers, Impacts and Responses: A Global Scientific Rapid Response Assessment Report*, IUFRO World Series Vol. 35, International Union of Forest Research Organizations, Vienna, 2016.

## Timber flows within and from Southeast Asia

Rosewood species are the world's most trafficked timber species and are rapidly being felled to commercial extinction.<sup>24</sup> One of the highest value rosewoods is Siamese rosewood (*Dalbergia cochinchinensis*), which is found in Cambodia, Lao PDR, Thailand and Viet Nam. A small portion of traded rosewood is for the manufacture of musical instruments, but it is prized mostly for luxury furniture. Over the past decade, soaring demand among China's growing middle class for more affordable antique-style "hongmu" furniture,<sup>25</sup> once affordable only to royalty and the elite, and the Chinese government's incentives to expand the hongmu production industry to generate employment, tax revenues and wider economic growth<sup>26</sup> has resulted in poorly regulated and industrial-scale mass production.

Siamese rosewood quickly became the most sought-after hongmu species globally after supplies of Huang Hua Li (*Dalbergia odorifera*) in China became commercially exhausted,<sup>27</sup> and after tightened restrictions were placed on the harvest and export of India's red sandalwood (*Pterocarpus santalinus*) since 2007, and the species' listing on the CITES Appendix II in 2013. However, with the rapid depletion of Siamese rosewood from Thailand, the main hongmu species now being targeted by traffickers in Southeast Asia are Burmese rosewood (*Dalbergia oliveri/bariensis*) and padauk (*Pterocarpus macrocarpus/pedatus*), which are distributed across the Mekong countries, mostly in protected areas. Yet in spite of these protections, the illegal harvest of rosewood species continues, with even the roots sought after for trade.<sup>28</sup> Since 2000, roughly half of China's total

hongmu imports have originated from the Mekong region, mostly from Lao PDR and Myanmar but also Viet Nam.<sup>29</sup>

The timber is transported into China to the various hongmu processing parks that have been established along China's coastlines and in border cities.<sup>30</sup> Viet Nam is of particular importance along this route, playing a key role in the processing and trade of timber to China, with Vietnamese log and sawnwood imports of *Dalbergia* and *Pterocarpus* species destined for China.<sup>31</sup> The CITES trade database indicates that, since being listed, *D. cochinchinensis* has been supplied primarily from Cambodia and Lao PDR and destined for Viet Nam and China – a large share transported via Viet Nam to China and some through or to Hong Kong, China.<sup>32</sup>

In addition, a share of the rosewood exported from Cambodia and Lao PDR in recent years has likely been exported illegally from Thailand. From 01 January to 30 September 2017, Thailand's Department of National Parks, Wildlife and Plant Conservation recorded almost 800 incidents related to illegal rosewood and seized about 350 cubic meters in total. A further 2,000 cubic meters of other species were also seized. These amounts were similar to those seized during the previous two years.<sup>33</sup>

The heavy pressure on rosewood supplies in Southeast Asia and India has stimulated further regional diversification and displacement of the trade to parts of Africa, which has become an increasingly important exporter region.<sup>34</sup> As Chinese hongmu imports have dramatically increased in volume

24 "Rosewood" is a broad trade term that refers to a wide range of richly hued, and often fragrant, tropical hardwoods. The term is most commonly equated with *Dalbergia* and *Pterocarpus* species, many of which are CITES-listed. These "rosewood" species are primarily found in South and Southeast Asia, West and East Africa, and Latin America. UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

25 Roughly 30 species are designated as hongmu. One of these is *Pterocarpus erinaceus* whose range states are in western Africa. During recent years, China has imported a greater volume of this species than any other rosewood species.

26 Naomi Basik Treanor, "China's Hongmu Consumption Boom", Forest Trends Report Series, Forest Trade and Finance, December 2015. Accessed at: <https://www.forest-trends.org/publications/chinas-hongmu-consumption-boom/>.

27 *Dalbergia odorifera* was identified as "threatened" by the International Union for Conservation of Nature (IUCN) in 1998.

28 UNESCO, "Decision: 39 COM 7B.17. Dong Phrayayen-Khao Yai Forest Complex (Thailand) (N 590rev), 2015. Accessed at: <http://whc.unesco.org/en/decisions/6274>.

29 CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg, South Africa, 24 September – 05 October 2016.

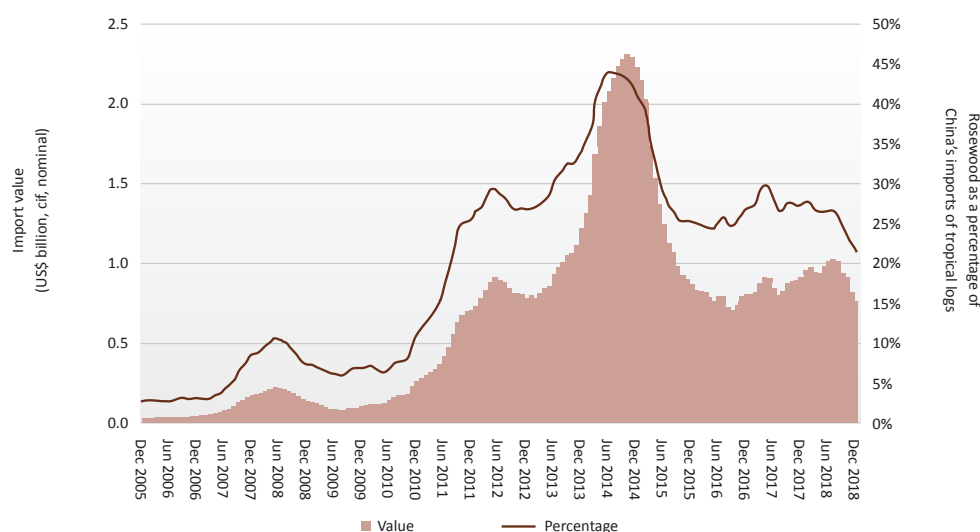
30 Ibid.

31 Global Status of *Dalbergia* and *Pterocarpus* rosewood producing species in trade. CoP17 Inf.48. Document prepared by Global Eye and submitted by Senegal. CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016.

32 Ibid; Although statistics presented in the CITES database are valuable, they reflect only the quantities reported to CITES by member states.

33 Data from Thailand's Department of National Parks, Wildlife and Plant Conservation. Obtained by UNODC in September 2018.

34 UNODC, "Rosewood Case Study", undated. Accessed at: <https://www.unodc.org/documents/wwcr/Rosewood.pdf>; TRAFFIC, "The Trade of Malagasy Rosewood and Ebony in China", TRAFFIC Bulletin Vol. 29, No. 1, 2017.

**Figure 2: China's imports of tropical and rosewood logs**

Note: Tropical logs defined here as non-coniferous logs supplied from tropical countries.

Source: UNODC elaboration based on data from the General Administration of Customs of the People's Republic of China.

and value, the number of countries exporting *hongmu* to China has risen from 26 countries in 2000 to 42 countries as of the second quarter of 2016. In total, more than 85 producing countries have been engaged with China in the *hongmu* trade since 2000,<sup>35</sup> when China imported 144,500 m<sup>3</sup>, a figure which increased to more than 2 million m<sup>3</sup> in 2014.<sup>36</sup> As of 2014, more than one million employees in some 30,000 Chinese companies were generating an estimated US\$ 25 billion in domestic *hongmu* revenues.<sup>37</sup>

These factors have conspired to make illicit rosewood trafficking a highly profitable business, and seizure data indicate organized criminal groups in Southeast Asia and China are involved at a significant global scale. Large quantities of illegally logged rosewood from Madagascar have been transported to East Africa, where cargoes are loaded into shipping containers, given fraudulent export documents with mis-declared timber species and

origin, before being exported to Asian markets.<sup>38</sup> The largest seizure of rosewood ever recorded, and possibly the largest seizure of wildlife ever made, was conducted by Singapore authorities in 2014, of roughly 3,000 tons of rosewood originating from Madagascar.<sup>39</sup> A number of other large seizures of Malagasy rosewood en route to China have been made along the supply chain.

It is only recently that government representatives to CITES have recognised the vast scope and scale of illegal rosewood trafficking and the need for a global response. New CITES regulations in effect since January 2017 have extended protections on all species of *Dalbergia* rosewood. However, in the absence of further legislation to effectually regulate timber imports into China and Viet Nam, and with the rising prices paid for these species driving the illicit trade, site-based enforcement is likely to be ineffective at countering the trafficking in rosewood and other timber species.<sup>40</sup>

Based on trade data, Southeast Asia's largest suppliers of legal timber in recent years continue to be Indonesia and Malaysia, although exports from these two countries have been more limited in recent years. According to analysis

35 Based on Chinese customs data, obtained from the Global Trade Atlas (GTA). CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016.

36 Ibid; Based on Chinese customs data, obtained from the Global Trade Atlas (GTA). Hongmu log imports correspond to HS code 44039930, Padauk in the rough. Hongmu sawn imports were calculated based upon HS code 44079910, which corresponds to sawn hongmu, nanmu, and camphor wood, but in fact is comprised nearly entirely of hongmu.

37 Ibid.

38 CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016. Accessed at: <https://cites.org/sites/default/files/eng/cop/17/InfDocs/E-CoP17-Inf-79.pdf>.

39 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, May 2016.

by the International Union of Forest Research Organisations, Viet Nam was the destination of the largest volume of roundwood and sawnwood imports from sources at high risk of illegality, followed by Thailand, in 2014.<sup>40</sup>

In 2014, China was estimated to be the primary destination for about half of the world's illegally sourced timber.<sup>41</sup> The large flows to China from Southeast Asia was an important part of this trade.<sup>42</sup> A significant portion of China's legal and illegally sourced log imports from Southeast Asia and other regions is transformed and exported to consumers and wood products traders in the European Union, Japan, the Republic of Korea, the United States and elsewhere.<sup>43</sup> As China's import statistics indicate, China imports more tropical logs than the rest of the world combined. Rosewood accounts for a small share of the volume imported by China, but a significant share of the import value.

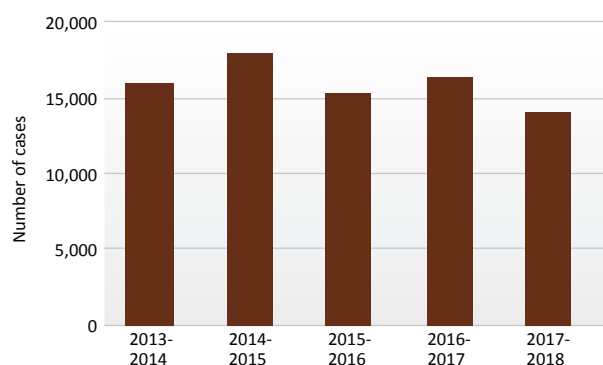
Illegally sourced timber from Southeast Asia is transported directly to China, including over shared land borders with Lao PDR, Myanmar and Viet Nam and indirectly, for example via sea ports in Singapore and Hong Kong, China. Chinese investors have been reported to purchase mills on the Lao side of the border with Yunnan province, which transform timber allegedly derived from land being cleared for hydropower and rail projects.<sup>44</sup> Thailand continues to be a source of illegally sourced rosewood which is frequently transported to China via neighbouring Cambodia and Lao PDR.

A large portion of Myanmar's timber exports to China in past years consisted of illegal overland flows from contested border regions of Myanmar not under government control.<sup>45</sup> Teak is the species

most associated with Myanmar, but considerable volumes of rosewood and other species have been illicitly trafficked from Myanmar to markets in China, Thailand and Viet Nam.<sup>46</sup>

Official data from Myanmar's Forestry Department indicate a large number of cases and arrests related to illegal logging in the country, averaging roughly 15,900 cases and 7,050 arrests annually, from fiscal year (FY) 2013 through FY 2017.<sup>47</sup> While the number of illegal logging cases in 2017–2018 was at its lowest level during the five-year period, the number of people arrested and quantity of timber seized remained at high levels. Seizures of teak and rosewood have fluctuated, but the volume of other species seized increased by almost 52 per cent from 2013 to 2017.<sup>48</sup> Most illegal logging cases involve a small number of people and may involve local villagers recruited by foreigners to identify and cut down the trees. The lack of enforcement presence in the contested areas also means that any trafficking occurring in many areas has a minimal risk of interception.<sup>49</sup>

**Figure 3: Number of illegal logging cases in Myanmar, fiscal year 2013-2017**



Source: Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

40 CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016. Accessed at: <https://cites.org/sites/default/files/eng/cop/17/InfDocs/E-CoP17-Inf-79.pdf>.

41 Ibid.

42 Ibid.

43 Ibid.

44 Phuc Xuan To, Naomi Basik Treanor, and Kerstin Canby, "Impacts of the Laos Log and Sawnwood Export Bans: Significant Reductions in the Exports to Major Markets of Vietnam and China in 2016", Forest Trends Report Series, Forest Policy, Trade and Finance, April 2017. Accessed at: <https://www.forest-trends.org/wp-content/uploads/imported/laos-export-ban-v12-typo-fix-14-sept-2017-pdf.pdf>.

45 Southwest Forestry University and EU FLEGT Facility, "Study on China-Myanmar Cross Border timber trade", 2015. Accessed at: <http://www.euflegt.efi.int/documents/10180/323231/Primary+outcomes+on+CN-MM+Timber+Trade+Study+%28EN%29.pdf/6a0f8d20-7cd8-4575-a076-8a706c1b5617>.

46 UNODC, 'Criminal justice response to wildlife and forest crime in Myanmar: A Rapid Assessment', Yangon, Myanmar, November 2015. Accessed at: [https://www.unodc.org/documents/southeastasiaandpacific/Publications/wildlife/Myanmar\\_Illicit\\_Timber\\_Trade\\_Report\\_15.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/wildlife/Myanmar_Illicit_Timber_Trade_Report_15.pdf); Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

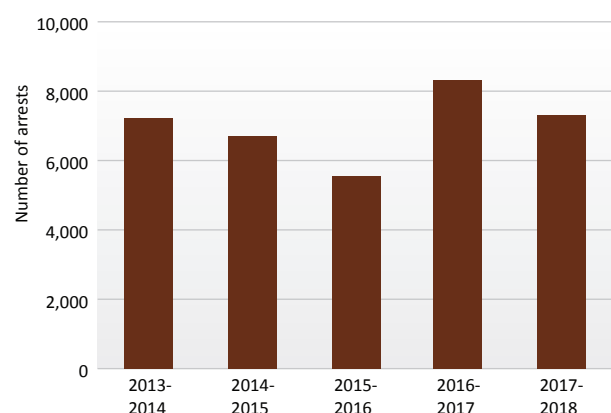
47 The Myanmar government's fiscal year begins in April and ends in March the following year. Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

48 Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

49 UNODC, 'Criminal justice response to wildlife and forest crime in Myanmar: A Rapid Assessment', Yangon, Myanmar, November 2015. Accessed at: [https://www.unodc.org/documents/southeastasiaandpacific/Publications/wildlife/Myanmar\\_Illicit\\_Timber\\_Trade\\_Report\\_15.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/wildlife/Myanmar_Illicit_Timber_Trade_Report_15.pdf).

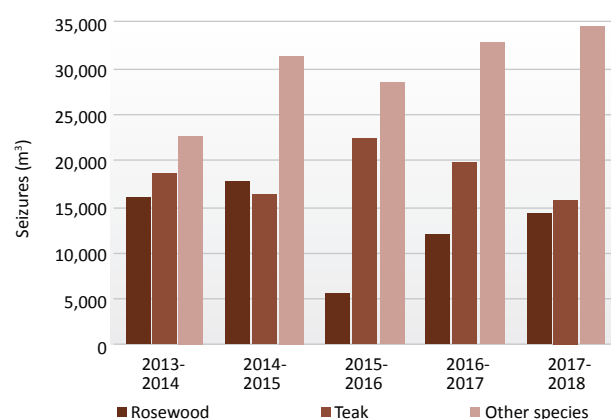


**Figure 4: Number of arrests related to illegal logging offenses in Myanmar, fiscal year 2013-2017**



Source: Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

**Figure 5: Myanmar seizures of rosewood, teak and other species (m<sup>3</sup>), fiscal year 2013-2017**



Source: Myanmar government responses to the UNODC Transnational Organized Crime Threat Assessment questionnaire, 2018.

Viet Nam is a major timber exporter as well as a key wood furniture manufacturing country and has especially strong links with the timber market in neighbouring China, Cambodia and Lao PDR. A recent estimate indicated that 50 to 70 per cent of the total timber and wood product imports from Lao PDR and Cambodia into Viet Nam comprise species with high risk of illegality.<sup>50</sup>

50 Phuc Xuan To, et al., "Sustainable development of the Vietnamese timber industry: removing high-risk import timber from the supply chain", Vietnam Timber and Forest Products Association, the Handicraft and Wood Industry Association of HCMC (HAWA), the Forest Products Association of Binh Dinh and Forest Trends. Hanoi, 2017. Reproduced in Micah L. Ingalls, et al., "The transboundary displacement of deforestation under REDD+: Problematic intersections between the trade of forest-risk commodities and land grabbing in the Mekong region", *Global Environmental Change* Vol. 50: 255-267, 2018. Accessed at: <https://www.forest-trends.org/wp-content/uploads/2018/04/The-transboundary-displacement-of-deforestation-under-REDD.pdf#%FE%FF%00b%00i%00b%000%004%000%000>.

A key factor fuelling the recent growth of timber trafficking to Viet Nam from Cambodia is the Lao PDR log and sawnwood export ban, implemented in May 2016, which prompted traffickers to export from Cambodia instead.<sup>51</sup> The order was enacted to address Lao PDR's high deforestation rates and stimulate the domestic wood processing industry. This followed a government prohibition announced in August 2015 on the export of raw logs. Before the bans, Viet Nam and China had imported the large majority of all Lao timber product exports in 2015, most of which were reported to be in log or sawnwood form.<sup>52</sup> Despite the bans, however, timber trafficking from Lao PDR to Viet Nam and transiting through Lao PDR from neighbouring countries to Viet Nam appears to be continuing. Data reported to the World Customs Organization (WCO) indicate that two significant timber seizures were made along this route in 2017, including an overland shipment of 3,915.5 kg of Brazilian rosewood (*Dalbergia nigra*) on July 4, and a seizure of 39.5 cubic meters of red sandalwood (*Pterocarpus santalinus*) on July 17, also in an overland consignment. However, no further details were provided allowing better insight into these flows.<sup>53</sup>

It is estimated that roughly 50 per cent of Indonesia's land area is covered by forest, and with such abundant resources Indonesia is one of the world's largest exporters of tropical timber.<sup>54</sup> It exports a wide variety of products, including plywood, furniture, pulp and paper, which are produced from timber sourced from natural forests, industrial plantations and household-managed small-scale plantings, as well as from imported timber. Indonesia's main timber export markets are China, the EU, Japan and the Republic of Korea.<sup>55</sup> Malaysia is also among the world's largest suppliers of tropical timber, with Japan, India and China among the leading export destinations.

51 Phuc Xuan To, Naomi Basik Treanor, and Kerstin Canby, "Impacts of the Laos Log and Sawnwood Export Bans: Significant Reductions in the Exports to Major Markets of Vietnam and China in 2016", *Forest Trends Report Series, Forest Policy, Trade and Finance*, April 2017. Accessed at: <https://www.forest-trends.org/wp-content/uploads/imported/laos-export-ban-v12-typo-fix-14-sept-2017-pdf.pdf>.

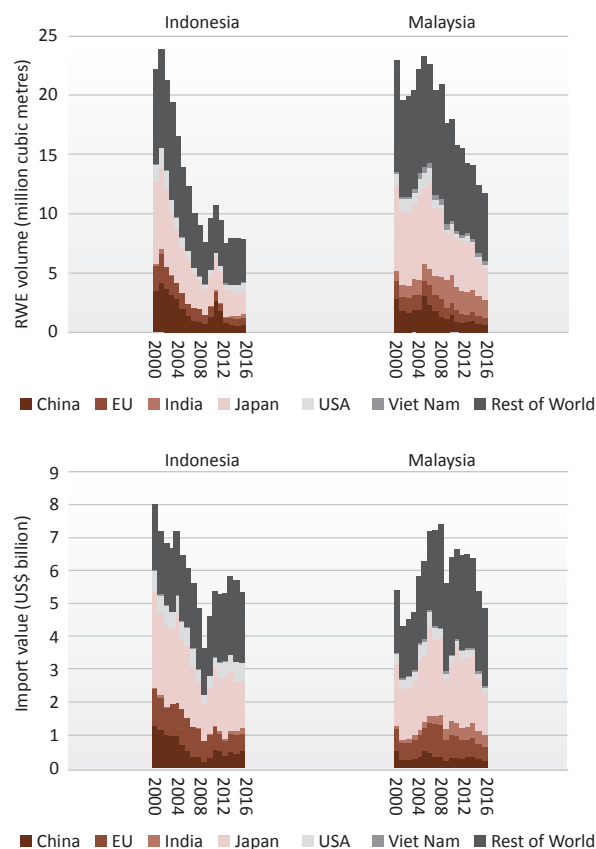
52 Ibid.

53 RILO WCO, "Analysis Report" World Customs Organization Regional Intelligence Liaison Office for Asia and the Pacific, Seoul, Issue No. 45, June 2018.

54 The EU FLEGT Facility, Indonesia. Accessed at: <http://www.euflegt.efi.int/indonesia>; Chatham House, Illegal Logging Portal. Accessed at: <https://www.illegal-logging.info/regions/indonesia>.

55 Ibid.

**Figure 6: Exports of legal tropical timber<sup>56</sup> from Indonesia and Malaysia, by estimated roundwood equivalent (RWE) volume and export value, 2000–2016**



Source: UNODC elaboration of national data.

At the same time, rising demand, falling supply and inadequate law enforcement and management have resulted in Indonesia also becoming a major source for illegally produced and exported timber,<sup>57</sup> although Indonesia's exports of illegal timber products have declined substantially since early last decade. This is in part due to the implementation of the country's timber legality verification system (Sistem Verifikasi Legalitas Kayu, or "SVLK"). However, weaknesses in the SVLK remain, and much of the illegal logging that continues in Indonesia has involved clandestine harvesting of trees beyond the authorized forest concessions or quotas, often facilitated by corruption.<sup>58</sup> A larger portion of illegal

logging in Indonesia is attributable to illegalities not taken into account by SVLK, specifically one that take place before the allocation of logging or deforestation permits.

Corruption in Indonesia's forest-related industries is estimated to cost the government significantly in lost revenues. Indonesia's anti-corruption agency, KPK, estimated that in 2014, the government of Indonesia should have received approximately four to five times the amount it received in forest-related revenue that year (US\$ 200 million). KPK also estimated that the commercial value of unreported timber production in 2014 amounted to between US\$ 8–10 billion. A large portion of this may be attributable to the 50–60 million cubic meters of 'unreported' production from natural forest, most of which KPK indicates to have derived from land clearance, particularly for use as pulpwood.<sup>59</sup>

### Profiles of major trafficking groups and their methods and means

Those involved in the illicit timber trade include large national and multinational enterprises that operate at all levels of the supply chain from source forests to consumer markets. They may be involved in commercial-scale illegal logging, timber processing, paper and pulp manufacture and transporting timber across borders. To facilitate the trade, illegal logging groups typically recruit brokers and related white-collar agents to connect to clients, forge paperwork, and handle the financial aspects of the trade. Illegal logging also involves small-scale poachers who merely cut down trees to earn some extra income.<sup>60</sup>

The illegal trafficking is often conducted in parallel with legal business, with illicit products frequently entering the legal trade in the country of origin before being formally exported. This method of 'laundering' wood products through the mixing of illegal with legal wood, including pulp, chips and paper, usually takes place in the mills or during transport, and appears to be the most common

<sup>56</sup> Tropical timber is defined for this purpose as logs, sawnwood, mouldings, veneer, and plywood of non-coniferous species deriving from natural forest in the tropical country from which they are exported.

<sup>57</sup> UNODC Indonesia Country Office, "Forest Crimes", undated. Accessed at: <https://www.unodc.org/southeastasiaandpacific/en/indonesia/forest-crime.html>.

<sup>58</sup> Abidah Setyowati and Constance L. McDermott, "Commodifying Legality? Who and What Counts as Legal in the Indonesian Wood Trade", *Science & Natural Resources*, Vol. 30 (6): 750–764, 2017.

<sup>59</sup> KPK, "Preventing State Losses in Indonesia's Forestry Sector: An Analysis of Non-tax Forest Revenue Collection and Timber Production Administration", Directorate of Research and Development, Deputy for Prevention, Corruption Eradication Commission (KPK), October 2015. Accessed at: <https://acch.kpk.go.id/images/tema/litbang/pengkajian/pdf/Preventing-State-Losses-in-Indonesia-Forestry-Sector-KPK.pdf>.

<sup>60</sup> UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.



method of concealing the illegally procured timber consignments, though there are many other methods.<sup>61</sup>

Many of the trafficking networks involved in Southeast Asia depend on the illegal exploitation of concessions or forest conversions while some have diversified into palm oil plantations.<sup>62</sup> Some companies involved in establishing roads, commercial agricultural projects and hydroelectric dams in the Mekong have been alleged to facilitate the illegal trade of valuable timber species.<sup>63</sup> Some trafficking groups use mis-invoicing and anonymous shell companies in order to gain access to land to which they are otherwise ineligible, evade logging restrictions, conceal the illicit origins of a consignment, and market their products on the legal market.<sup>64</sup>

It is common for CITES listed species to be mis-declared as non-listed lookalike species. CITES controls can also be evaded when timber traffickers find substitute species, and the buying rush on these unprotected woods can devastate populations before controls can be put in place. Furthermore, it is very difficult for frontline inspectors and border officials to distinguish between different species of wood in the various forms it might appear.<sup>65</sup> By the time timber and wood products traverse these complex supply chains to reach their destination markets, consumers are often unaware of the illegal origins of the product.<sup>66</sup>

More gravely, enforcement officers and environmental defenders who oppose the trafficking are often killed in Southeast Asia. In Thailand, for example, one estimate indicates that from 2009 to 2016, up to 50 Thai park rangers were murdered, and roughly an equal number were seriously injured.<sup>67</sup> A number of Thai rangers

have been killed in gunfights with poachers.<sup>68</sup> In Cambodia, three environmental defenders were killed in January 2018 after locating an illegal logging camp while they were patrolling forest in Keo Seima Wildlife Sanctuary near the Cambodia-Vietnam border from which they confiscated chainsaws and motorbikes used for transporting wood. The victims included a military police officer, a Ministry of Environment Ranger and an officer of the World Conservation Society.<sup>69</sup>

Corruption is also a key facilitator of forestry crime. Bribery is probably the most common form and it can occur at any level of the supply chain. Local authorities may be paid when felling trees violates local regulations, officials and militaries may accept payment to forge export permits or transport illicitly harvested logs domestically, and customs officials may authorize the export of mislabelled shipments in return for kickbacks.<sup>70</sup> Some authorities have been reported accepting bribes or kickbacks in exchange for manipulating auction processes to 'restitute' seized stockpiles of illegal wood to the traffickers.<sup>71</sup>

In Indonesia, a major food multinational company is accused of using front companies to clear forests for palm oil for the illegal expansion of palm oil plantations in the West Papua region. A recent investigation indicates it hid the identities of those involved via a complex network of shared directorships and offshore enterprises.<sup>72</sup> It is possible that several other major palm oil suppliers in Indonesia also make use of illegal methods.<sup>73</sup> Major paper companies in Indonesia have allegedly

61 Ibid.

62 Ibid.

63 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, 2016; Mongabay, "Hydro projects a front for logging in Vietnam", 18 September 2013. Accessed at: <https://news.mongabay.com/2013/09/hydro-projects-a-front-for-logging-in-vietnam/>.

64 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

65 UNODC, "World Wildlife Crime Report: Trafficking in protected species", Vienna, 2016.

66 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

67 Global Conservation, "Rangers on the Frontline Being Killed at an Astonishing Rate from India to Thailand to Africa", 31 March 2016. Accessed at: <http://globalconservation.org/news/park-rangers-frontline-being-killed-astonishing-rate-new-solutio/>.

68 The Straits Times, "Thai forest rangers train to tackle wildlife crime", 02 February 2019. Accessed at: <https://www.straitstimes.com/asia/se-asia/thai-forest-rangers-train-to-tackle-wildlife-crime>; Mongabay, "Poachers kill 2 rangers in Thailand", 24 September 2013. Accessed at: <https://news.mongabay.com/2013/09/poachers-kill-2-rangers-in-thailand/>; Bangkok Post, "Ranger killed by rosewood poachers", 15 March 2013. Accessed at: <https://www.bangkokpost.com/news/local/340653/ranger-killed-by-rosewood-poachers>.

69 World Conservation Society, "Statement from WCS on the Killing of Three Conservation Heroes in Cambodia", News Release, 01 February 2018.

70 CITES, "Analysis of the demand-driven trade in hongmu timber species: Impacts of unsustainability and illegality in source regions", Seventeenth meeting of the Conference of Parties, Johannesburg (South Africa), 24 September – 05 October 2016.

71 Ibid.

72 Mongabay, "Indonesia's Salim Group linked to 'secret' palm oil concessions in West Papua", 03 June 2016. Accessed at: <https://news.mongabay.com/2016/06/indonesias-salim-group-linked-to-secret-palm-oil-concessions-in-papua/>.

73 Mongabay, "Indonesian billionaire using 'shadow companies' to clear forest for palm oil, report alleges", 11 April 2018. Accessed at: <https://news.mongabay.com/2018/04/indonesian-billionaire-using-shadow-companies-to-clear-forest-for-palm-oil-report-alleges/>.

purchased wood from companies clearing rainforest for plantations in Kalimantan, the Indonesian part of Borneo.<sup>74</sup>

## Looking ahead

Various government logging bans, other restrictions and certification schemes in Southeast Asia may help to reduce trafficking of timber from the region, but these same efforts, in combination with persistently high demand, will likely have the effect of driving up prices and further displacing the trade to alternative species and source countries.

The countries of the Mekong region will continue to be particularly vulnerable to the illicit harvesting and trafficking of raw logs and processed timber products while the trafficking of illegal timber products from Indonesia and Malaysia will continue, all with minimal benefits to local communities. The transnational criminal organizations who benefit most from the illicit trade will continue to exploit the lack of communication among law enforcement agencies in Southeast Asia to avoid detection and to export and sell illegally sourced timber into global markets.

Given China's important role in the regional and global trade in forest products, the effectiveness with which voluntary import control measures are implemented, and the speed with which they are replaced with enforceable mandatory measures, will be critical in achieving a transformative impact on the Asian market.<sup>75</sup>

## Policy options and responding

To consolidate the criminal justice response to the illegal trade of timber, Southeast Asian governments must commit to working through regional initiatives, namely the Working Group on Illicit Trafficking in Wildlife and Timber, which was formed under the framework of the ASEAN SOMTC.

Governments must implement CITES regulations related to the amendment of appendices adopted at the 17th Conference of Parties (CoP17) and report results, and also institute and implement mandatory laws that strictly prohibit the placement of illegal timber on their markets, regardless of origin. In addition, governments in Southeast Asia should scale up and intensify the battle against forestry crimes to reach national climate goals, the Paris Agreement and the SDGs.

Governments in Southeast Asian source countries should increase the capacity of forest rangers to track loggers using the latest available technologies including satellites, drones and mobile applications and other traceability tools, and must increase their vigilance at points of entry and exit to combat illicit timber trafficking. Furthermore, greater cooperation among Southeast Asian governments is essential to develop intelligence-led multi-agency investigations for disrupting organized and transnational timber trafficking crime.

Corruption risk assessment and the development of related risk-mitigation strategies are necessary to improve the integrity of the whole wood-product value chain in essentially all countries analysed in this report.

<sup>74</sup> Mongabay, "Report finds APP and APRIL violating zero-deforestation policies with wood purchases from Djarum Group concessions in East Kalimantan", 21 August 2018. Accessed at: <https://news.mongabay.com/2018/08/report-finds-app-and-april-violating-zero-deforestation-policies-with-wood-purchases-from-djarum-group-concessions-in-east-kalimantan/>.

<sup>75</sup> Marigold Norman and Jade Saunders, "Regulating the Trade in Illegal Timber: Asian Approaches Compared – State of Play June 2017", Forest Trends Report Series, Forest Policy, Trade and Finance, August 2017.





## **Counterfeit Goods and Illicit Tobacco**





## Overview of the situation

The illicit trade in counterfeit goods is often perceived as a ‘soft’ form of crime, but the trafficking and consumption of goods produced with hazardous or substandard materials poses serious public health and safety risks. It also provides criminals with a significant source of illicit income. The distribution of counterfeit goods through the internet and e-commerce is rendering what was once a low-risk, high-profit cross-border crime into an even lower-risk and higher-profit borderless one, providing counterfeiters (as well as digital pirates) with a powerful global platform to market and distribute their goods to greater numbers of potential consumers at minimal expense.

Southeast Asia is a key hub for the global trade of illicit tobacco products, and significant quantities of illicitly sourced tobacco are produced or packaged within the region for inter-regional and global distribution. Data indicate that Southeast Asia will continue to play an important major role in the global supply chains as a consumer, transit, and repackaging and manufacturing hub.

## Nature of the market

Just about any economy in the world can be a source of counterfeit and pirated goods, either as a producer of fake goods or as a point of transit through which they pass.<sup>1</sup> The networks that traffic these illicit goods take advantage of

the same decentralised and globally integrated manufacturing processes that drive legitimate commerce, subcontracting different stages of the counterfeiting process to actors in various parts of the world. Counterfeit products and their parts may be made on the same machines and by the same manufacturers or parts subcontractors who produced genuine goods, often as unlawful overruns and factory seconds, sometimes without any knowledge that what they are doing is illegal. Some fake goods are also produced in dedicated workshops that manufacture cheap ‘knock offs’ and imitations using lower-grade materials.

The market for counterfeit goods is largely responsive to the same dynamics as the trade in licit goods: if there is a strong demand for a product, it is likely to be counterfeited by criminals. Middle and low income countries with weak intellectual property (IP) legislation and enforcement as well as the industrial capacity to produce a variety of goods, are particularly conducive for traffickers. Unfortunately, these criteria fit most Southeast Asian economies.

A number of other factors also make Southeast Asia particularly vulnerable to counterfeit goods, including its geographical proximity to China, which has been identified as one of the world’s main sources of counterfeit goods, due in large part to its enormous legitimate manufacturing activity and

<sup>1</sup> OECD and EUIPO, “Proposed joint OECD-EUIPO work on Trade in Counterfeit and Pirated Goods: 2017-2018 and beyond”, 5th OECD Task Force meeting on Countering Illicit Trade, 28-29 March 2017.



massive domestic consumer market.<sup>2</sup> Southeast Asian countries, particularly Malaysia, Thailand, and Viet Nam, are also playing a more significant role for the manufacture and repackaging of counterfeit goods destined for international markets, and Singapore continues to be a primary origin and transit hub for this trade.<sup>3</sup>

It used to be that only high-end brands were at risk; but these days just about any product is a target. The range of counterfeit goods (excluding falsified medicines) most commonly found in Asia includes everything from consumer luxury products such as apparel, footwear, handbags, watches, electronics, and perfumes, to common consumer goods such as food products, tobacco, alcohol, movies and pirated software, and increasingly, business-to-business products including chemicals and industrial parts.<sup>4</sup>

There are two different markets for counterfeit goods. The first market is for unauthorized items or lower-cost imitations of genuine products (several different grades of imitations are often available), which may be diverted and marketed to compete directly with legitimate goods, to buyers who are unaware whether a product is genuine or fake, which could pose serious safety concerns for buyers. The second market, related to IP-infringement matters, is for consumers that may be fully aware that the designer handbags or smartphones they are purchasing are not genuine but choose to buy a knock-off anyhow.<sup>5</sup>

The low consumer concern or awareness of the health and safety risks of consuming counterfeit products such as medicines, personal care products, consumer electronics and automobile parts, and the difficulty in detecting law-infringing goods among the vast legitimate commercial flows have enabled the illicit trade in counterfeit goods to

develop into a multi-billion dollar global industry. In Southeast Asia, the counterfeit goods market, excluding fraudulent medicines is estimated to generate illicit revenues of between approximately US\$ 33.8 – 35.9 billion annually.

With the growing importance of e-commerce websites and social media platforms, an increasing quantity of counterfeit goods and their spare parts are distributed in small parcels via postal and express freight services to customers. In the United States, some 89 per cent of the number of seizures involving IPR-infringing goods in 2017 were detected in international mail or express services.<sup>6</sup> Data from the European Commission indicate that 76 per cent of the counterfeit goods seized in the European Union in 2017 were in courier and postal small shipments.<sup>7,8</sup> China, Hong Kong, China, India, Singapore, Thailand and Turkey were found to be prominent provenance countries for the small parcel trade of counterfeit and pirated products to Europe, with China, India and Thailand identified as potential producers and Singapore and Hong Kong, China as key transit points.<sup>9</sup> The top provenance economies for the use of postal and courier services to export fake goods to Europe compared with other modes of transport were Macau, China (87.5 per cent), Singapore (86.6 per cent), China (73.9 per cent), Thailand (68 per cent), India (67.1 per cent) and Cambodia (63.6 per cent).<sup>10</sup>

2 OECD and EUIPO, "Mapping the Real Routes of Trade in Fake Goods", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2017. Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. U.S. Chamber of Commerce, "Measuring the Magnitude of Global Counterfeiting: Creation of a Contemporary Global Measure of Physical Counterfeiting", U.S. Chamber of Commerce Global Intellectual Property Center, Washington, D.C., 2016.

3 OECD and EUIPO, "Mapping the Real Routes of Trade in Fake Goods", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2017.

4 Ibid; Official communication with OECD, September 2018.

5 OECD and EUIPO, "Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2016.

6 U.S. Department of Homeland Security, "Intellectual Property Rights Seizure Statistics Fiscal Year 2017", undated. Accessed at: <https://www.cbp.gov/sites/default/files/assets/documents/2018-Feb/trade-fy2017-ipr-seizures.pdf>.

7 DG TAXUD, "Report on the EU customs enforcement of intellectual property rights: Results at the EU border, 2017, European Commission Directorate-General Taxation and Customs Union, 2018.

8 In comparison, about 63 per cent of the number of fake good seizures made in the EU between 2011 and 2013 were in postal shipments, mostly of goods bought online. One method of trafficking fake goods into the legitimate marketplace identified in the European Union is through "drop shipping", whereby criminals use stickers or stamps from international postal services to give the impression that shipments have come from another EU member state, when in fact they may have arrived from Thailand or India, for example. OECD and EUIPO, "Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2016. Accessed at: <https://doi.org/10.1787/9789264252653-en>.

9 OECD, "Misuse of Small Parcels for Trade in Counterfeit Goods: Facts and Trends", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2018.

10 Ibid.

### Definitions of counterfeit goods and the ‘provenance economy’

The Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the most comprehensive multilateral agreement on intellectual property and includes all 164 member countries of the World Trade Organization (WTO). Negotiated in 1994 and in force since 1995, the TRIPS Agreement introduced global minimum standards for protecting and enforcing nearly all forms of intellectual property rights (IPR), including those for patents.<sup>11</sup> The agreement addresses the applicability of basic principles of the General Agreement on Tariffs and Trade (GATT) and of other relevant international intellectual property agreements, and establishes provisions for the effective enforcement measures for IPR, multilateral dispute settlement, and transitional arrangements.<sup>12</sup>

The TRIPS Agreement provides an official definition of counterfeit goods:

“Counterfeit trademark goods shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.”<sup>13</sup>

Piracy, as distinct from counterfeiting, involves the production of unauthorised exact copies of a product — usually digital media such as computer software, films, and computer games — which is protected by an intellectual property right such as copyright.<sup>14</sup> The TRIPS Agreement defines pirated goods as follows:

“Any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.”<sup>15</sup>

Some studies of the counterfeit goods trade use the term ‘provenance economy’ to refer to the origin of a particular counterfeit or pirated product, either important transit points in international trade or producing economies. The OECD and European Union Intellectual Property Office describe a provenance economy as an economy detected and registered by a reporting customs agency as the source of an IP-infringing product that has been intercepted, and refers to both the economy where the actual production took place and to the ports of transit through which the goods travel on their way to the destination market.<sup>16</sup> In contrast, the World Customs Organization (WCO) uses the term ‘provenance’ to refer only to the last economy through which the goods passed.<sup>17</sup> The use of the term in this chapter follows the WCO definition.

11 WTO and the TRIPS Agreement. Accessed at: [http://www.who.int/medicines/areas/policy/wto\\_trips/en/](http://www.who.int/medicines/areas/policy/wto_trips/en/).

12 WTO, “Legal texts: the WTO agreements”, Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, undated. Accessed at: [https://www.wto.org/english/docs\\_e/legal\\_e/ursum\\_e.htm#nAgreement](https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#nAgreement).

13 WTO, “TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights”, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations, 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197, 15 April 1994.

14 European Commission, “Counterfeiting and Piracy - Frequently Asked Questions,” Memo/10/272, 23 June 2010. Accessed at: [http://europa.eu/rapid/press-release\\_MEMO-10-272\\_en.htm](http://europa.eu/rapid/press-release_MEMO-10-272_en.htm).

15 WTO, “TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights”, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations, 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197, 15 April 1994.

16 OECD and EUIPO, “Mapping the Real Routes of Trade in Fake Goods”, OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2017. Accessed at: <http://dx.doi.org/10.1787/9789264278349-en>.

17 WCO, “Overviews and Challenges”, undated: Accessed at: [www.wcoomd.org/en/topics/origin/overview/challenges.aspx](http://www.wcoomd.org/en/topics/origin/overview/challenges.aspx).

### The impact of counterfeiting

In some markets where many minor illegalities are common – such as improper licensing or mis-declaring revenues – counterfeiting is regarded as simply another inconvenience of doing business, or as minor violations of regulations that some may perceive as unfair in the first place.<sup>18</sup> The greater social tolerance of counterfeiting compared to other crimes and the lack of any existing international legal or enforcement framework with which to disrupt counterfeiting activities has resulted in the weak penalties that fail to discourage those involved in the trade.<sup>19</sup>

Importantly, counterfeit products can pose a direct threat to the health and safety of consumers who use hazardous or substandard goods. Fake electronics such as smartphones and their chargers can pose a risk of lethal electrocution<sup>20</sup> while fake spare parts for automobiles or airplanes can present serious safety risks. Counterfeit food, medicines, or cosmetics may contain unsafe levels of dangerous substances or low quality ingredients of unknown origins, which can also be potentially harmful or fatal to consumers.<sup>21</sup>

The extensive circulation of counterfeit goods produces a number of adverse outcomes for businesses, governments and consumers. The trade of falsely branded merchandise deprives retailers and rights holders of sales revenues (but also may serve as free advertising for the global brands among communities that may not be able to afford the genuine items in the first place). Governments lose revenues to lost excise and VAT proceeds that may result from under-invoicing, smuggling or undeclared importation, or when goods are sold below market value on the black market. For example, a study by the Indonesian Anti-Counterfeiting Society, a consortium of multinationals operating in the country, estimates that the illicit counterfeit goods trade deprives the Indonesian economy of up to US\$ 4.8 billion per year, according to a local media report.<sup>22</sup>

In addition, the environmental costs of counterfeiting may be understated. As an underground and largely unregulated market, the manufacture and distribution of counterfeit goods are not bound by any environmental or labour regulations. Their production may involve the unlawful disposal of toxic chemicals or other environmentally unsound manufacturing processes. Similarly, the disposal of seized counterfeits, such as electronic goods, with their unknown inferior-grade materials, can be highly difficult to dispose of in an environmentally responsible manner.<sup>23</sup>

The circulation of counterfeit goods poses a direct threat to achieving the Sustainable Development Goals, in particular SDG 12, which calls on UN member states to ensure sustainable consumption and production patterns.

The full extent of the role that organized criminal groups play in the selling of counterfeit goods online is not known, but some clearly use social media platforms to advertise their products and steer

potential consumers to online sales platforms.<sup>24</sup> For the consumer, being unable to see the product in

18 Rouse, “China-Southeast Asia Anti-Counterfeiting Project Summary Report”, A report prepared for the United Kingdom Intellectual Property Office and Foreign & Commonwealth Office, 2015. Accessed at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/482650/China-ASEAN\\_Anti-Counterfeiting\\_Project\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/482650/China-ASEAN_Anti-Counterfeiting_Project_Report.pdf).

19 UNODC, “The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime”, Vienna, undated. Accessed at: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf).

20 CBS News, “Popular goods sold through Amazon, Walmart and others are counterfeits: Government report”, 26 February 2018. Accessed at: <https://www.cbsnews.com/news/amazon-walmart-newegg-third-party-sellers-sell-counterfeits-report-gao/>.

21 WCO, “Illicit Trade Report 2014”, World Customs Organization, Brussels, 2015. Accessed at: [www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr-2014-en.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr-2014-en.pdf?la=en).

22 Jakarta Post, “Counterfeits cause Rp 65.1t loss in Indonesia: Study”, 21 February 2017. Accessed at: <http://www.thejakartapost.com/news/2017/02/21/counterfeits-cause-rp-65-1t-loss-in-indonesia-study.html>.

23 UNODC, “The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime”, Vienna, undated. Accessed at: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf).

24 UNODC, “The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime”, Vienna, undated. Accessed at: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf).

person makes it difficult to know whether a listing on an online marketplace is real or counterfeit and whether what they are buying is genuine or fake.<sup>25</sup>

Many of the world's Free Trade Zones (FTZs) are favoured transit points for both large containers and small package shipments of counterfeit goods because of their relaxed oversight, allowing counterfeiters to land consignments, break them down to smaller cargoes, adapt or otherwise tamper with loads such as by repackaging or re-labelling goods, and adulterating the associated paperwork before re-exporting illicit products. Thus, counterfeiters can produce an unbranded shirt in one country, logo patches in another, assemble the product in an FTZ in a third country, and package and distribute it from yet another country. Similarly, a website selling these illicit goods may be registered in one country, its bank account for payments registered in another, and its consignments sent from another country — all of which may be coordinated by individuals or groups that are not based in any of those countries.<sup>26</sup> For larger consignments, fraudulent bills of lading and other forged documents are widely used to conceal the contents of containers of packages, the manufacturer's identity and original point of departure, while false invoices may be issued for undervaluing imported goods declared to customs. To ship small volumes of goods by postal or express services only requires simplified documentation, and the identity of the sender is often not verified, leaving supply chains vulnerable to mistakes and fraud.<sup>27</sup> Fake retail licenses can enable distribution through the legitimate supply chain, by mixing the illicit goods with genuine ones.<sup>28</sup>

Singapore is the world's largest transshipment port for legitimate trade, but its FTZs also are exploited in the counterfeit goods trade. Recent data indicate that Singapore is among the world's top ten largest origin or transit countries for European imports of counterfeit and pirated goods by estimated value.<sup>29</sup> Singapore has been identified as one of the primary transit hubs for fake textiles and footwear (along with Hong Kong, China and the United Arab Emirates), and also for toys, games, sports equipment and counterfeit jewellery (along with Hong Kong, China and Macau, China) to Europe.<sup>30, 31</sup>

As with the other contraband flows highlighted in this study, the illicit trade in counterfeit goods is enabled by some degree of corruption. Corruption may come in many forms: officials may sell manufacturing licenses, falsify the inspection of goods, or take bribes at production sites to tip-off criminals to police raids or to "look the other way" as counterfeiters use irregular labour, dump waste, or otherwise violate the law.

It is evident that organized crime groups involved in the counterfeiting of goods have links to other criminal activities. Diverting fake goods into the legitimate supply can also be used to launder illicit funds. Some reports indicate the strategic and operational criminal link between counterfeiting and activities such as drug trafficking, with organized crime groups increasingly exchanging goods, such as swapping drugs for counterfeit items and vice-versa.<sup>32</sup> The use of counterfeit goods as commodities for full or part payment between organized criminal networks has been documented in contexts where these groups could reduce the

25 International Chamber of Commerce, "Counterfeiting and online intermediaries", undated. Accessed at: <https://iccwbo.org/global-issues-trends/bascap-counterfeiting-piracy/bascap-counterfeiting-piracy-digital-network/>.

26 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

27 OECD and EUIPO, "Misuse of Small Parcels for Trade in Counterfeit Goods: Facts and Trends", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2018. Accessed at: <https://doi.org/10.1787/9789264307858-en>.

28 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

29 Singapore ranks behind China, Germany, Hong Kong, China, India, Switzerland, Turkey, the United Arab Emirates, and the United States. OECD and EUIPO, "Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2018. Accessed at: <http://dx.doi.org/10.1787/9789264289550-en>.

30 Ibid.

31 In 2017 and 2018, Singapore revised several amendments to the Customs Act to improve enforcement and operational efficiency at its borders and Free Trade Zones. Ministry of Finance, Singapore, "MOF and Singapore Customs invite Public Feedback on the Proposed Amendments to the Customs Act", Press Release, undated. Accessed at: [https://www.customs.gov.sg/~media/cus/files/media-releases/2017/for%20website%20public%20consultation%20on%20customs%20act%20amendments%202017\\_final2.pdf](https://www.customs.gov.sg/~media/cus/files/media-releases/2017/for%20website%20public%20consultation%20on%20customs%20act%20amendments%202017_final2.pdf); Singapore Statutes Online, Customs (Amendment) Bill, Bill No. 26/2018, May 2018. Accessed at: <https://sso.agc.gov.sg/Bills-Supp/26-2018/Published/20180517?DocDate=20180517#al->.

32 UNODC, "The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime", Vienna, undated. Accessed at: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf).



amount of capital they need to exchange, thereby reducing their exposure and risk.<sup>33</sup>

And while no known direct links between counterfeiting and terrorist financing are evident in Southeast Asia, some terrorist groups in India, Pakistan and elsewhere are indicated to be involved in trafficking counterfeit goods. For example, investigators found that the mass shooting terrorist attack on a weekly satirical newspaper in Paris in January 2015 was partly funded by the sale of counterfeit goods such as footwear and apparels manufactured in Asia. The terrorist group is said to have transferred more than 8,000 Euros to China via Western Union, to pay for counterfeit footwear manufactured in Asia and resold in France. Some of the weapons used in the attack were purchased via this source of funds.<sup>34</sup>

### Where counterfeit goods are produced

Just as China is the source of a large share of global manufactured goods, available data indicate that a large proportion of counterfeit goods found in global markets have been produced in or shipped from China. An estimate from the United States Chamber of Commerce indicates that China, including Hong Kong, China, was the provenance of roughly 72 per cent of counterfeit goods in circulation in three of the world's largest markets for counterfeit products, namely the European Union, Japan, and United States.<sup>35</sup> In the European Union, an estimated 80 per cent of the counterfeit goods seized in 2016 arrived from China.<sup>36</sup> Illicit goods originating from China often arrive to major European seaports or airports via third countries with large FTZs, particularly Hong Kong, China, Singapore and the United Arab Emirates.<sup>37</sup>

33 UNODC, "UNODC-WCO Global Container Control Programme in the fight against the trafficking of counterfeit goods", 2014. Accessed at: <https://www.unodc.org/ropan/en/IndexArticles/CCP/unodc-wco-global-container-control-programme-in-the-fight-against-the-trafficking-of-counterfeit-goods.html>.

34 UNIFAB, "Counterfeiting & Terrorism: Edition 2016", Union des Fabricants, Paris. Accessed at: [https://www.unifab.com/wp-content/uploads/2016/06/Rapport-A-Terrorisme-2015\\_GB\\_22.pdf](https://www.unifab.com/wp-content/uploads/2016/06/Rapport-A-Terrorisme-2015_GB_22.pdf).

35 U.S. Chamber of Commerce, "Measuring the Magnitude of Global Counterfeiting: Creation of a Contemporary Global Measure of Physical Counterfeiting", U.S. Chamber of Commerce Global Intellectual Property Center, Washington, D.C., 2016. Accessed at: <https://www.uschamber.com/sites/default/files/documents/files/measuringthemagnitudeofglobalcounterfeiting.pdf>.

36 European Commission, "Customs Union: EU customs seized over 41 million fake goods at EU borders last year", European Commission Press release, Brussels, 20 July 2017. Accessed at: [http://europa.eu/rapid/press-release\\_IP-17-2082\\_en.htm](http://europa.eu/rapid/press-release_IP-17-2082_en.htm).

37 Europol and OHIM, "2015 Situation Report on Counterfeiting in the European Union", Europol and the Office for Harmonization in the Internal Market, Brussels, April 2015. Accessed at: <https://cec.europa.eu/02.%202015%20Situation%20Report%20on%20Counterfeiting%20in%20the%20EU.pdf>.

Several Southeast Asian countries are also prominent origins for a wide range of counterfeit goods, a significant portion of which winds up in Europe, the United States and Japan. Though the majority of the counterfeit goods seized around the world indicated to be of Southeast Asian origin are likely actually produced in and imported from China, the region is also a significant producer of its own, particularly for lower-tech fake goods such as lubricants and apparel.<sup>38</sup>

A large portion of counterfeit goods produced in China's factories are illicitly exported via sea freight to global markets from China's eastern seaboard ports, such as Ningbo or Guangzhou, often via Hong Kong, China by road or river, or out from southern ports like Shanghai, Shenzhen, Xiamen.<sup>39</sup> They are also shipped to and through major seaports in Southeast Asia, the primary ones being Manila in the Philippines, Hai Phong and Ho Chi Minh City in Viet Nam, Laem Chabang and Khlong Toei in Thailand, Port Klang in Malaysia, and Jakarta, Surabaya and Medan in Indonesia.<sup>40</sup>

Counterfeit goods originating from China are also smuggled into Southeast Asia via overland routes from Guangxi and Yunnan province borders into Myanmar, Viet Nam and Lao PDR for consumption in those countries and for further transit through Thailand.<sup>41</sup> Some quantities pass through legitimate border crossings, but a portion of the goods are also hand carried across rivers, jungle tracks, in small quantities, sometimes of larger volumes broken into smaller consignments to bypass border inspections. Some counterfeits are hand carried into Hong Kong, China and carried by passengers to Southeast Asian markets by plane.<sup>42</sup>

### Counterfeit goods from Southeast Asia to Europe, North America and East Asia

Data from other regions suggest that Singapore appears to have been a major transit country for counterfeit goods produced in the region and in

38 Rouse, "China-Southeast Asia Anti-Counterfeiting Project Summary Report", A report prepared for the United Kingdom Intellectual Property Office and Foreign & Commonwealth Office, 2015. Accessed at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/482650/China-ASEAN\\_Anti-Counterfeiting\\_Project\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/482650/China-ASEAN_Anti-Counterfeiting_Project_Report.pdf).

39 Ibid.

40 Ibid.

41 Ibid.

42 Ibid.

**Map 1: Designated main commercial ports in Southeast Asia**

Note: Boundaries, names and designations used do not imply official endorsement or acceptance by the United Nations..

Source: UNODC, "Protecting Peace and Prosperity in Southeast Asia: Synchronizing Economic and Security Agendas", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, February 2016.

China. Singapore was indicated as a top country of origin and transit country for seizures of counterfeit and pirated goods arriving at the EU external borders by caseload (ranking behind China and Hong Kong, China) in 2015, in particular large consignments of counterfeit electronics, toys, games and sports equipment and large volumes of small-scale consignments (1 or 2 items) of counterfeit mobile phones or their accessories.<sup>43</sup> In 2016, Singapore was indicated as the top provenance of counterfeit alcoholic beverages seized in EU Member States, accounting for nearly 90 per cent of the total.<sup>44</sup>

43 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

44 European Commission, "Customs Union: EU customs seized over 41 million fake goods at EU borders last year", European Commission Press release, Brussels, 20 July 2017. Accessed at: [http://europa.eu/rapid/press-release\\_IP-17-2082\\_en.htm](http://europa.eu/rapid/press-release_IP-17-2082_en.htm).

Viet Nam, Cambodia and Malaysia are among the top origins of falsely branded cigarettes and other tobacco products seized in Europe.<sup>45</sup> Counterfeit clothes and fabrics manufactured in Cambodia, Malaysia, Thailand and Viet Nam are exported directly to Europe and other global markets and also indirectly to Europe via Hong Kong, China and Singapore.<sup>46</sup> These products may be finished items or may be pieces shipped to European markets for assembly. Thailand has been linked specifically to markets in the United Kingdom and Germany in this

45 European Commission, "Report on EU customs enforcement of intellectual property rights: Results at the EU border 2016," European Commission Taxation and Customs Union, Publications Office of the European Union, Luxembourg, 2017. Accessed at: [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/report\\_on\\_eu\\_customs\\_enforcement\\_of\\_ipr\\_at\\_the\\_border\\_2017.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/report_on_eu_customs_enforcement_of_ipr_at_the_border_2017.pdf).

46 OECD and EUIPO, "Mapping the Real Routes of Trade in Fake Goods", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2017. Accessed at: <http://dx.doi.org/10.1787/9789264278349-en>.



regard. In Germany, the key product types seized from Thailand included labels, tags and stickers, along with ready-to-wear clothing. These trends strongly indicate the use of internet commerce and may signal that Thai online shops are specifically targeting the UK and German markets, or that distributors operate from these countries.<sup>47</sup>

Counterfeit footwear is manufactured in Malaysia, the Philippines, Thailand and Viet Nam and shipped directly to Europe and nearly every other region in the world.<sup>48</sup> Data from other countries indicate that Thailand is also a major hub in the trade of textile products and leather goods, which are shipped by express and postal freight to Japan, the Republic of Korea, North America and Europe.

Large quantities of counterfeit foodstuffs produced in China as well as Viet Nam, Lao PDR and India are illicitly exported by air and sea cargo either directly to Europe (and several African countries), or are transported through Thailand to markets in Europe, North America, Japan, and a number of African countries including Benin, Yemen, Senegal, Nigeria, Morocco and Algeria.<sup>49</sup>

Counterfeiters in Thailand and Malaysia also engage in the manufacture and export of fake cosmetics and perfumes which are sent to Europe, the United States, Africa and the Middle East, a large portion of which is exported via postal parcels.<sup>50</sup> Malaysia has also been a prominent provenance of counterfeit body care products, leather articles and handbags, and sunglasses, photographic products, medical equipment, and lubricants seized in Europe,<sup>51</sup> with large consignments intercepted in maritime containers.<sup>52</sup>

47 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

48 World Trademark Review, "Most used counterfeit trade routes revealed as pressure on enforcement authorities continues to rise", 2017. Accessed at: <http://www.worldtrademarkreview.com/blog/detail.aspx?g=cee3cbab-c1e0-4424-bc47-ab48d0cb1bd3>.

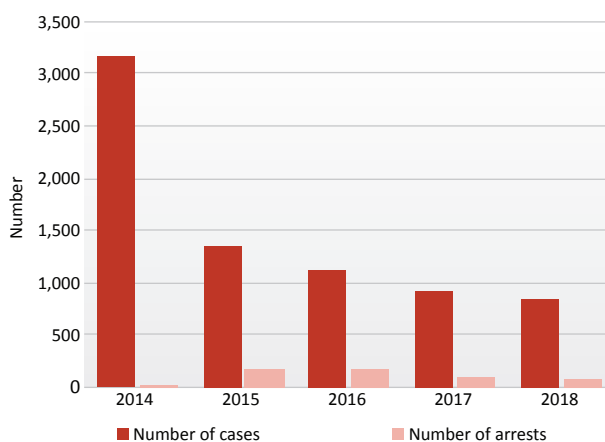
49 Official communication with the French Embassy in Bangkok, September 2018.

50 OECD and EUIPO, "Mapping the Real Routes of Trade in Fake Goods", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2017. Accessed at: <http://dx.doi.org/10.1787/9789264278349-en>.

51 Ibid.

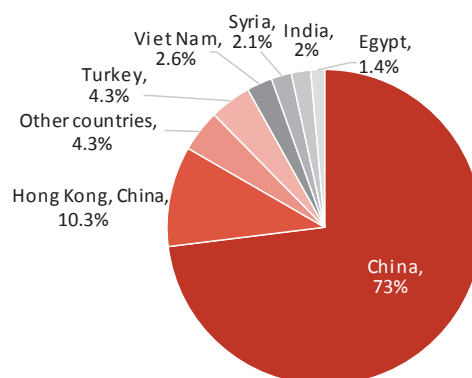
52 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

**Figure 1: Number of cases and arrests for the manufacture and trafficking of counterfeit goods and falsified medicines in Malaysia, 2014-2018**



Sources: Royal Malaysia Police, Malaysia country report, presented at the UNODC Workshop for Developing a New Transnational Organized Crime Threat Assessment Report, Bangkok, March 2018; Royal Malaysia Police, Malaysia country report, presented at the UNODC Transnational Organized Crime Threat Assessment for Southeast Asia Consultative Workshop, Bangkok, January 2019.

**Figure 2: Seizures of counterfeit goods in the European Union, by top countries of provenance, 2017**



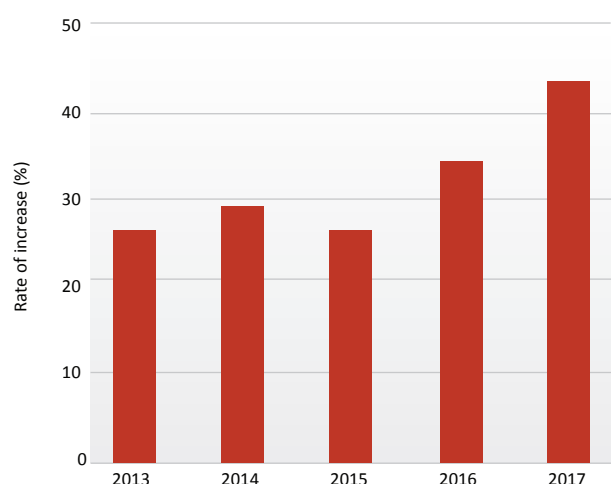
Sources: European Commission, "Report on EU customs enforcement of intellectual property rights: Results at the EU border 2016," European Commission Taxation and Customs Union, Publications Office of the European Union, Luxembourg, 2017; European Commission, "IPR Infringements: Facts and figures", European Commission Taxation and Customs Union, undated. Accessed at: [https://ec.europa.eu/taxation\\_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/ipr-infringements-facts-figures\\_en](https://ec.europa.eu/taxation_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/ipr-infringements-facts-figures_en).

Thailand is also the origin of various counterfeit health products and doping or anabolic substances, food supplements, veterinary medicines, and erectile dysfunction tablets such as 'Kamagra' which are purchased on the internet and illicitly exported to Europe, primarily via express or postal freight. France is a key destination for doping and anabolic products but is also a country of transit.<sup>53</sup> These

53 Official communication with the French Embassy in Bangkok, September 2018.

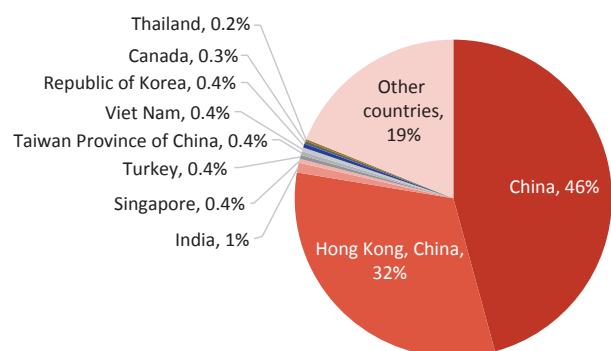
products are particularly sensitive for the risks of potential non-compliance with safety standards and can have adverse effects on public health.<sup>54</sup> Thailand is also a key country in the manufacture of counterfeit jewellery products destined for European markets, which have been identified as particularly hazardous to the consumer (and the manufacturer) because of the heavy metals involved in their composition.<sup>55</sup>

**Figure 3: Annual increase in the detection of products potentially hazardous to the health and safety of consumers detected in the European Union, 2013-2017**



Sources: European Commission, "Report on EU customs enforcement of intellectual property rights: Results at the EU border 2016," European Commission Taxation and Customs Union, Publications Office of the European Union, Luxembourg, 2017. Accessed at: [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/report\\_on\\_eu\\_customs\\_enforcement\\_of\\_ipr\\_at\\_the\\_border\\_2017.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/report_on_eu_customs_enforcement_of_ipr_at_the_border_2017.pdf); and other years, 2012-2016.

**Figure 4: Percentage of total value of counterfeit good seizures in the United States, by manufacturer's suggested retail price (MSRP), 2017**



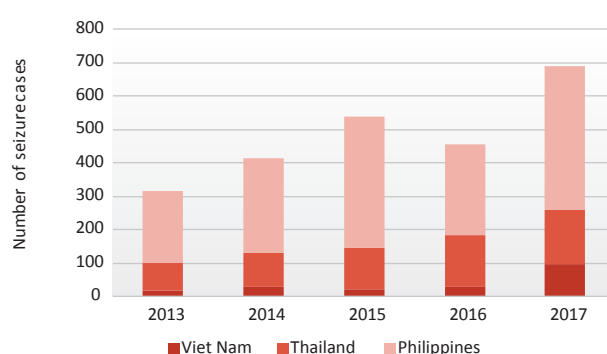
Source: U.S. Department of Homeland Security, "Intellectual Property Rights Seizure Statistics Fiscal Year 2017", undated. Accessed at: <https://www.cbp.gov/sites/default/files/assets/documents/2018-Feb/trade-fy2017-ipr-seizures.pdf>.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

Japan Customs reported that China was the origin of 92.2 per cent of all seizure cases and 81.9 per cent of the quantity of imported counterfeit goods during the 2013-2017 period. Hong Kong, China accounted for just 2.7 per cent of seizure cases but 10.9 per cent of the number of articles. Notable numbers of seizures were also made from several countries of Southeast Asia, including the Philippines, Thailand and Viet Nam.<sup>56</sup>

**Figure 5: Number of seizure cases of imported counterfeit good from Malaysia, the Philippines and Thailand in Japan, 2013-2017**



Sources: Japan Customs, "2017 Seizure Statistics of IPR Border Enforcement, Customs and Tariff Bureau", Tokyo, 2017.

### Flows of counterfeit goods within and to Southeast Asia

The Philippines National Committee on Intellectual Property Rights (NCIPR) reported seizures of about US\$ 157 million worth of counterfeit and pirated goods in 2017, the largest total yearly seizure since 2014, of which more than 70 per cent, or US\$ 109 million, was intercepted by the Bureau of Customs. The goods seized included electronics, optical media, and pharmaceutical and personal care products.<sup>57</sup> However, seizures in the first half of 2018 surpassed that figure, reaching US\$ 167 million. The primary goods seized included cigarettes, alcohol, pharmaceutical and personal care products, and handbags and wallets.<sup>58</sup> Unfortunately, the data did not indicate the origin of the goods or whether

<sup>56</sup> Japan Customs, "2017 Seizure Statistics of IPR Border Enforcement, Customs and Tariff Bureau", Tokyo, 2017. Accessed at: <http://www.customs.go.jp/mizuguiwa/chiteki/pages/statistics/statistics2017.pdf>.

<sup>57</sup> Intellectual Property Office of the Philippines, "IPOP HL Reports P 8.2 Billion Worth of Counterfeit Goods Seized in 2017", undated. Accessed at: <https://www.ipophil.gov.ph/releases/2014-09-22-06-26-21/699-ipophil-reports-p-8-2-billion-worth-of-counterfeit-goods-seized-in-2017>.

<sup>58</sup> Intellectual Property Office of the Philippines, "NCIPR, IPOP HL Seize P 8.8 Billion Counterfeit Goods in First Half of 2018", undated. Accessed at: <https://www.ipophil.gov.ph/releases/2014-09-22-06-26-21/808-ncipr-ipophil-seize-p-8-8-billion-counterfeit-goods-in-first-half-of-2018>.

they were intended for domestic or international markets.

In Myanmar, the illegal trafficking of both genuine and fake gem stones, especially by cross-border criminal networks remains an area of concern.<sup>59</sup> Cambodian authorities have seized large quantities of garments in particular as well as a range of other goods, including locally manufactured cosmetics falsely labelled as imported luxury brands,<sup>60</sup> as well as foreign beer, mineral water and large quantities of fake coffee, according to local media reports.<sup>61</sup>

Viet Nam only records a handful of counterfeit goods seizures each year, but the country reported some significant seizures in 2018 which indicate the likely involvement of organized networks in the country. In September 2018, Viet Nam customs uncovered several large-scale trafficking cases at its ports and industrial parks. These included separate shipments of 14 imported containers, weighing more than 122 tons, falsely labelled as scrap metals but which contained new automotive parts. The containers were shipped from Australia and were ordered by a local trade company. In the same month, customs officials at the Noi Bai International Airport in Ha Noi seized a consignment of more than 1,150 iPhones, which were smuggled into the airport in 40 separate packages. During the first nine months of 2018, Vietnamese Customs was reported to have detected 12,069 violations related to the smuggling of genuine goods to evade import taxes as well as other IPR-infringing products.<sup>62</sup>

A number of other counterfeit goods and IPR-violating concerns affect Southeast Asia, such as illicit streaming devices (ISDs),<sup>63</sup> which continue to pose a direct threat to content creators, sports

leagues, and live performances, and to providers of legitimate streaming, on-demand, and other media services. Stakeholders continue to report high levels of piracy through ISDs, including in China, Hong Kong, China, Indonesia, Singapore, Taiwan Province of China, and Viet Nam.

### The illicit tobacco market in Southeast Asia

Southeast Asia is a key hub in the global supply chains for the illicit trade in tobacco products.<sup>64</sup> This in part due to Southeast Asia's geographical proximity to China, which is a major producer and consumer of counterfeit cigarettes – as many as one third of the world's smokers are Chinese.<sup>65</sup> It is also because of the excessively high prevalence of tobacco use in a number of Southeast Asian countries and the response of governments in the region to discourage the practice.<sup>66</sup> Tobacco is a low-cost but highly taxed product. In their efforts to reduce smoking rates and generate revenue for government services such as healthcare, ASEAN governments have hiked taxes on licit cigarettes. However, the high costs of cigarettes in the region also provide incentive to illicit cigarette smugglers to boost production to meet the demand for low-cost tobacco products, which is indicated to have grown for several consecutive years. Illicit products which are produced or packaged within the region include genuine smuggled products, counterfeit cigarettes, and illicit whites, which are smuggled within the region and globally both in large-scale consignments and via smaller-scale bootlegging.<sup>67</sup>

The illicit cigarette trade is made up of various distinct product categories:

59 U.S. House Committees on Foreign Affairs, Judiciary, Armed Forces, "H.R.5819 - Burma Act of 2018", 115<sup>th</sup> Congress, 15 May 2018. Accessed at: <https://www.congress.gov/bill/115th-congress/house-bill/5819/text>.

60 Business Times, "Cambodia seizes 68 tonnes of fake cosmetic products", 09 May 2017. Accessed at: <https://www.businesstimes.com.sg/consumer/cambodia-seizes-68-tonnes-of-fake-cosmetic-products>.

61 Phnom Penh Post, "Ninety tonnes of fake goods seized", 07 August 2018. Accessed at: <https://www.phnompenhpost.com/national/ninety-tonnes-fake-goods-seized>.

62 Viet Nam News, "Customs agency faces large-scale smuggling cases", 29 October 2018. Accessed at: <https://vietnamnews.vn/society/468726/customs-agency-faces-large-scale-smuggling-cases.html#FYehBY9cKsLeXxPK.97>.

63 Office of the United States Trade Representative, "2018 Special 301 Report" Accessed at: <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf>.

64 Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

65 Gryphon Sou and Rob Preece, "Reducing the illicit trade in tobacco products in the ASEAN Region: a review of the Protocol to Eliminate Illicit Trade in Tobacco Products", World Customs Journal, Vol. 7, No. 2. pp. 65-92, 2013. Accessed at: [http://worldcustomsjournal.org/Archives/Volume%207%2C%20Number%202%20\(Sep%202013\)/07%20Sou%20and%20Preece.pdf](http://worldcustomsjournal.org/Archives/Volume%207%2C%20Number%202%20(Sep%202013)/07%20Sou%20and%20Preece.pdf).

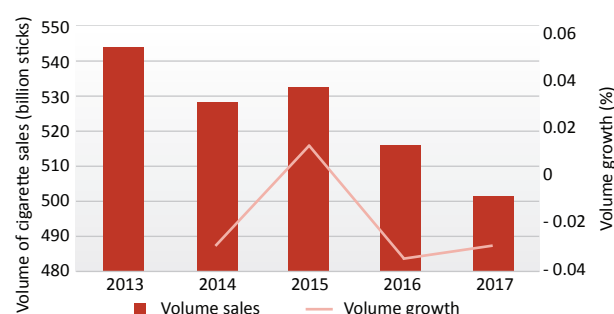
66 World Health Organization (WHO) data indicate that 76 per cent of males in Indonesia age 15 or older smoke, and the figure is 43 per cent in both Malaysia and the Philippines. The average prevalence rate across the Southeast Asia region is 48.8 per cent. WHO, "WHO global report on trends in prevalence of tobacco smoking 2015", Geneva, 2015. Accessed at: [http://apps.who.int/iris/bitstream/handle/10665/156262/9789241564922\\_eng.pdf;jsessionid=6EA4910E7002867F2D0B91FB842019FF?sequence=1](http://apps.who.int/iris/bitstream/handle/10665/156262/9789241564922_eng.pdf;jsessionid=6EA4910E7002867F2D0B91FB842019FF?sequence=1).

67 Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

Contraband cigarettes	Genuine products smuggled and traded illegally
Under-declared products	Cigarettes manufactured and distributed in the same country, but are not declared to the domestic tax authorities
Illicit whites	Obscure, unknown brands typically produced legally inside FTZs but produced intentionally for smuggling into other countries where there is no prior legal market and sold without a legal distribution network
Counterfeit cigarettes	Fake tobacco products that are essentially unauthorized copies of genuine products

Source: Oxford Economics, "Asia Illicit Tobacco Indicator 2016: Executive Summary", December 2017. Accessed at: <http://illicittobacco.oxfordeconomics.com/media/OXFO5304ASIAREPORT2017AW22.pdf>.

**Figure 6: Estimated volume of cigarette sales in selected Southeast Asian countries, 2013–2017<sup>68</sup>**



Source: Tobacco Asia, "Rules Affect Cigarette Consumption in Southeast Asia", 29 August 2018, data from Euromonitor International.

According to one study, the primary modus operandi used to smuggle tobacco to destination markets in Southeast Asia include the mis-declaration of export consignments or under-declaring of imports containing illicit tobacco products; the movement of illicit consignments through multiple transit ports, including free ports and free trade zones, where tobacco is often repackaged for illicit export; 'round trip exports', which originate in one region and are exported outside of the region and then-re-exported back to the region of origin without having been off-loaded in declared destinations; dedicated clandestine operations for the production and distribution of illicit cigarettes;

<sup>68</sup> Includes Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

and smaller shipments trafficked across land, sea and river borders.<sup>69</sup> Bribery can also be used to facilitate smuggling at different stages of the supply chain, such as when bribes are offered to customs officials to permit movements of illicit cigarettes across borders, or to law enforcement officials to turn a blind eye to illegal manufacturing activities. Corruption of public officials may also help criminals to obtain the required permits and licenses to pass off illicit tobacco products as genuine.<sup>70</sup>

Countries in Europe appear to be primary targets for illicit tobacco products originating from Asia, including Southeast Asia. In 2016, illegal cigarettes were the most commonly seized goods in Europe, accounting for 24 per cent of all seized goods, a large portion of which originated from Viet Nam and Cambodia as well as Pakistan.<sup>71</sup>

The Australian government estimates that it lost out on approximately US\$ 600 million in tobacco duties in financial year 2015–2016 due to the illicit trade of tobacco products.<sup>72</sup> In February 2017, the Australian Border Force (ABF) and Australian Federal Police (AFP) arrested three Malaysian nationals suspected of possessing more than six million cigarettes imported illegally into Melbourne. The potential street value of the haul exceeded US\$ 3 million while the total amount of duty evaded was estimated at around US\$ 3.6 million.<sup>73</sup> During the 2017–2018 reporting period, the ABF made more than 111,000 detections of illicit tobacco, including more than 215 tons of loose leaf and molasses tobacco and more than 235 million cigarettes. The ABF also detected some US\$ 350 million in revenue

<sup>69</sup> Gryphon Sou and Rob Preece, "Reducing the illicit trade in tobacco products in the ASEAN Region: a review of the Protocol to Eliminate Illicit Trade in Tobacco Products", *World Customs Journal*, Vol. 7, No. 2. pp. 65–92, 2013. Accessed at: [http://worldcustomsjournal.org/Archives/Volume%207%2C%20Number%202%20\(Sep%202013\)/07%20Sou%20and%20Preece.pdf](http://worldcustomsjournal.org/Archives/Volume%207%2C%20Number%202%20(Sep%202013)/07%20Sou%20and%20Preece.pdf).

<sup>70</sup> Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

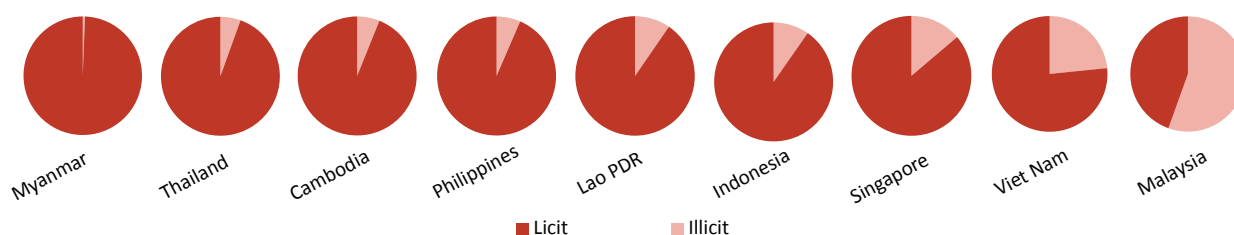
<sup>71</sup> Florian Schwab, Rudolf Böckenholt and Volker Schmitz-Fohrmann, "Border seizure measures in the European Union", *World Trademark Review*, 24 May 2018. Accessed at: <https://www.worldtrademarkreview.com/anti-counterfeiting/border-seizure-measures-european-union-0>.

<sup>72</sup> Australian Government, The Treasury, "Illicit Tobacco Taskforce to target \$600 million black market", Media Release, 03 July 2018. Accessed at: <http://kmo.ministers.treasury.gov.au/media-release/090-2018/>.

<sup>73</sup> Australian Criminal Intelligence Commission, "Three men charged over Melbourne illicit tobacco haul", Media releases and statements, 27 February 2017. Accessed at: <https://www.acic.gov.au/media-centre/media-releases-and-statements/three-men-charged-over-melbourne-illicit-tobacco-haul>.



**Figure 7: Estimated illicit consumption as a percentage of total tobacco consumption in selected Southeast Asian countries, 2017**



Source: UNODC elaboration based on data from Oxford Economics, "Asia Illicit Tobacco Indicator 2017", Market Trends, September 2018. Accessed at: <https://www.oxfordeconomics.com/asia-illicit-tobacco>.

evasion on tobacco products during the time period.<sup>74</sup> Though the data do not specify the origin or transit countries of the illicit tobacco detected in the country, Australian law enforcement officials based in Southeast Asia have indicated that the region is a key source for this trafficking.<sup>75</sup> In July 2018, the Australian government established the Illicit Tobacco Taskforce (ITTF) to combat the illicit trade.<sup>76</sup>

One of the most comprehensive surveys of the tobacco market in Asia indicates that in 2017, an estimated 14.6 per cent of all cigarettes consumed across 16 Asian countries, including nine of the ten ASEAN countries (Brunei Darussalam is the exception), were illicit. This is equivalent to around 115.9 billion illicit non-tax-paid cigarettes consumed.<sup>77</sup> Indonesia, Malaysia, the Philippines and Viet Nam accounted for nearly 95 per cent of region's total illicit consumption in 2017.<sup>78</sup> Illicit consumption as a percentage of total cigarette consumption was estimated to be higher than 10 per cent in Malaysia, Singapore, and Viet Nam, as well as in Australia, Hong Kong, China, New Zealand, Pakistan, and Macao, China.<sup>79</sup> Lost government tax revenues in ASEAN due to the illicit trade were estimated at US\$ 2.9 billion in 2017, representing

a near-tripling of the estimated losses reported in 2012.<sup>80</sup>

Indonesia is the largest illicit cigarette market in Southeast Asia, accounting for more than half of the region's total consumption of illicitly sourced cigarettes in 2016.<sup>81</sup> That year an estimated 12.2 per cent of total consumption in the country was sourced from the illicit market, equivalent to 39.7 billion illicitly sourced cigarettes. Consumption of illicit cigarettes in Indonesia consists almost entirely domestic illicit cigarettes (i.e. domestically produced but non-duty paid cigarettes), which are produced by domestic manufacturers who are incentivized by Indonesia's complex excise tax system to under-declare their tax liabilities.<sup>82</sup> Indonesia (as well as Cambodia) is also a well-known source country of illicit whites. This environment is conducive to the long-distance trafficking of large-scale consignments of illicit cigarettes to European markets. In the first four months of 2017, the World Customs Organization reported that at least 27 million cigarettes originating from Indonesia and destined for the United Kingdom and Spain were seized in four separate instances.<sup>83</sup>

Viet Nam also plays a key role in the illicit trade, appearing to be an important producer,<sup>84</sup> trans-shipment hub and consumer market for counterfeit tobacco. Viet Nam has also been identified as the origin of a number of large seizures seized in the European Union (as well as Australia), with

74 Data refer to the financial year, 01 July 2017 to 30 June 2018. Department of Home Affairs, Australia, "Annual Report 2017-18", Accessed at: <https://www.homeaffairs.gov.au/reports-and-pubs/files/2017-18/01-annual-report-2017-18.pdf>.

75 Official communication with Australian Federal Police, Bangkok, May 2018.

76 Australian Government, The Treasury, "Illicit Tobacco Taskforce to target \$600 million black market", Media Release, 03 July 2018. Accessed at: <http://kmo.ministers.treasury.gov.au/media-release/090-2018/>.

77 Oxford Economics, "Asia Illicit Tobacco Indicator 2017: Executive Summary", September 2018. Accessed at: [illicittobacco.oxfordeconomics.com](http://illicittobacco.oxfordeconomics.com); A separate study has estimated the average penetration of illicit tobacco in Southeast Asia at between 7-9%. Euromonitor International, "Illicit trade in tobacco products 2012: Will the new Protocol prove effective?", 2013.

78 Oxford Economics, "Asia Illicit Tobacco Indicator 2017: Executive Summary", September 2018. Accessed at: [illicittobacco.oxfordeconomics.com](http://illicittobacco.oxfordeconomics.com).

79 Ibid.

80 Ibid.

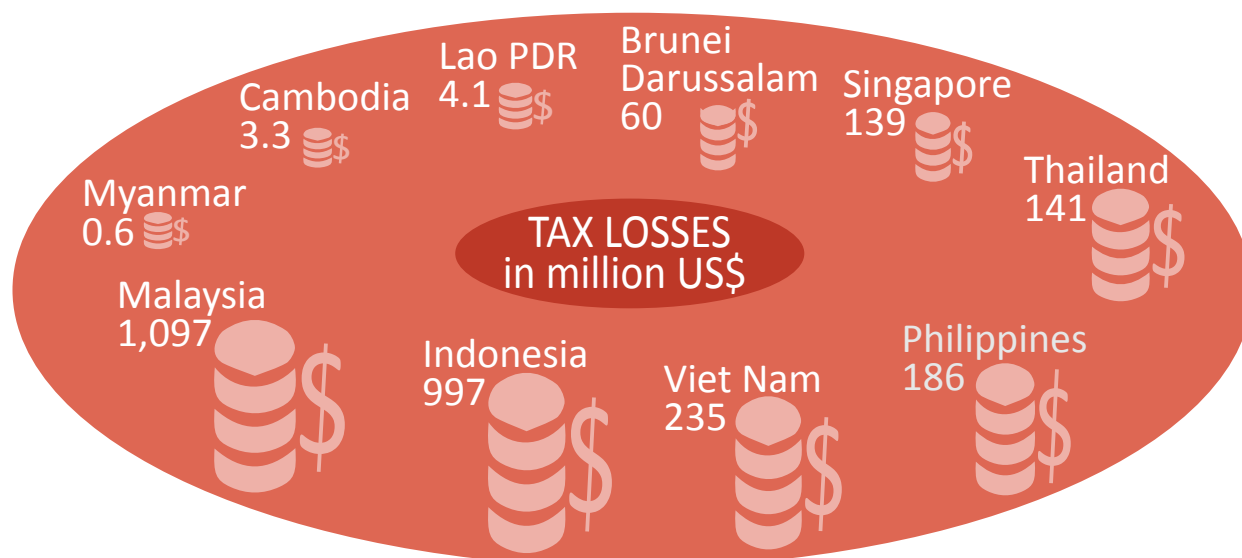
81 Oxford Economics, "Asia Illicit Tobacco Indicator: Indonesia." Accessed at: <http://illicittobacco.oxfordeconomics.com/markets/indonesia/?y=2016>.

82 Oxford Economics, "Asia Illicit Tobacco Indicator 2016: Executive Summary", December 2017. Accessed at: <http://illicittobacco.oxfordeconomics.com/media/OXFO5304ASIAREPORT2017AW22.pdf>.

83 RILO AP 'Analysis Report' September 2017 Issue, No. 44, WCO Regional Intelligence Liaison Office for Asia and the Pacific.

84 Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

**Figure 8: Estimated total tax losses resulting from the illicit tobacco trade in Southeast Asian countries in US\$ million, 2017**



Note: Figure for Brunei Darussalam is from 2015, the latest year for which data are available.

Source: Oxford Economics, "Asia Illicit Tobacco Indicator 2017: Executive Summary", September 2018.

one shipment of 496,000 packets of counterfeit cigarettes of Vietnamese provenance seized in a single maritime consignment in Greece, and an additional 500,000 packets seized while being transported by road into Poland. These seizures may indicate an established tobacco counterfeiting industry in Viet Nam, and also highlight potential smuggling routes within the EU, whereby illicit products enter Europe by shipping vessels in Greece and are subsequently moved by road to their final destination.<sup>85</sup>

In Malaysia, where taxes have increased by 40 per cent and now account for more than half of the price of a package of cigarettes, the illegal market has shown significant growth over the past few years. In 2016 and 2017, approximately one in every two cigarettes consumed in the country was identified as illegal.<sup>86</sup> A large number of

Malaysian nationals have been arrested in recent years for their involvement in smuggling duty-unpaid cigarettes into and through Singapore, and for storing illicit cigarettes in warehouses located in industrial parks.<sup>87</sup> In January 2017, Singapore customs authorities seized nearly one million cigarettes from a Malaysian national driving a Malaysian registered truck, modified specifically for smuggling, and a total of more than five million counterfeit cigarettes from warehouses, from an Indonesian boat crew, and from Malaysian nationals in Singapore.<sup>88</sup> In July 2017, Hong Kong Customs seized more than three million cigarettes concealed in a consignment of goods falsely declared as 'used auto parts', which departed from Malaysia and was intended to be trans-shipped to Taiwan Province of China via Hong Kong, China.<sup>89</sup> Malaysia's northern border is also a route for the smuggling of smaller quantities of illicit cigarettes into Thailand. In 2017, Thailand Border Patrol Police seized some 51,487 boxes of illicitly imported cigarettes, 65 per cent of which was seized at the country's border with Malaysia.<sup>90</sup>

<sup>85</sup> Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>. Greece seized more than 7.3 million packages of cigarettes in 2015, indicating that the country is either a significant point of entry for illicit tobacco products, or that Greek Customs and enforcement agencies may have prioritised the interdiction of cigarettes.

<sup>86</sup> In 2017, illicit consumption accounted for 10.6 billion cigarettes in Malaysia, equivalent to 55.5 per cent of total consumption, and 9.6 billion or 52.3 per cent of consumption in 2016. Oxford Economics, "Asia Illicit Tobacco Indicator: Malaysia." Accessed at: <https://illicittobacco.oxfordeconomics.com/trends/?country=Malaysia>.

<sup>87</sup> Singapore Customs, "inSYNC", Singapore Customs Newsletter, Issue 35, March-April 2015. Accessed at: [https://www.customs.gov.sg/-/media/cus/files/insync/issue35/inSYNC\\_ecopy.pdf](https://www.customs.gov.sg/-/media/cus/files/insync/issue35/inSYNC_ecopy.pdf).

<sup>88</sup> WCO-RILO AP, "Analysis Report", WCO Regional Intelligence Liaison Office for Asia and the Pacific, Issue, No. 44, September 2017.

<sup>89</sup> WCO-RILO AP, "Annual Report 2017", WCO Regional Intelligence Liaison Office for Asia and the Pacific.

<sup>90</sup> Thailand Special Operations Unit Naresuan 261, "Proposed Solution for the Land Border", presented at the ASEAN 2025: Synchronising the Economic and Security Agenda, 2017.



The Philippines is a known source of illicit whites and the country showed the highest consumption of counterfeit cigarettes in Southeast Asia, with an estimated 997 million counterfeit cigarettes consumed in 2016. Cigarettes continue to feature prominently in the top seizures of counterfeit goods in the Philippines.<sup>91</sup> Of the approximately US\$ 100 million worth of counterfeit goods seized by the Intellectual Property Office of the Philippines in the first quarter of 2018, 94 per cent of the total haul consisted of fake cigarettes and cigarette production equipment seized from a factory in Bulacan, outside of Manila.<sup>92</sup>

The illicit trade has generally been conducted via theft from warehouses, storage facilities, and transit cargoes by tobacco industry employees or third parties. Similar to the trade in fraudulent medicines, illicit tobacco trafficking may involve in the direct or indirect participation of rogue companies and individuals within the licit industry in the smuggling of diverted genuine product or undeclared products, or the production of overruns for smuggling.<sup>93</sup> Transnational criminal groups may be involved in the entire supply chain, or may act as intermediaries to source tobacco and connect with manufacturers, and to coordinate the smuggling routes and ensure successful delivery.<sup>94</sup>

### Profiles of major trafficking groups and their methods and means

Since a large share of fake products are manufactured on the same machines and distributed along the same transportation procedures by the same parties as legitimate goods, counterfeiting does not require a large, sophisticated organization. It does, however, require a certain degree of expertise, and counterfeiting networks are known to recruit specialists, commonly residing in several different countries, at various stages of the counterfeiting process. These may include chemists for the

production of counterfeit pharmaceuticals or pesticides, individuals with knowledge of trade and migration laws, IT specialists to coordinate the online trade, and financial experts specifically tasked with laundering the illicit proceeds.

More important are the brokers and logisticians who coordinate the production and transport to connect supply with demand, delivering the illicit goods through a network of drivers, storage keepers, front persons and couriers, who may be recruited through personal connections or via internet or social media networks.<sup>95</sup> Many of those involved are legitimate businesses and individuals who also engage in the fraudulent practices to produce and distribute counterfeit goods.

Criminal counterfeiting groups composed of Asian nationals are typically bound by ethnicity or kinship across borders, and many recruit nationality or ethnic-based networks in the destination country to receive and distribute the goods. Asian counterfeiting groups are particularly active in Europe and appear to be somewhat hierarchical and organized. Some are also reported to engage in other criminal activity such as human trafficking and drug trafficking.<sup>96</sup>

Europe-based criminal groups supplying the EU market rely on manufacturers of counterfeit goods abroad, including in Asia. These groups place orders with producers in different parts of the world and manage the downstream stages of the counterfeiting, including importation, transportation, storage and distribution of the counterfeit goods.<sup>97</sup> As with legitimate goods, imported counterfeits are distributed to wholesalers and then sold through mainstream retail outlets, in variety stores and smaller markets, as well as through street vendors, sometimes requiring the consent of local crime groups, who may charge vendors a 'tax' in return for the permission to operate in their territory but play no other significant role in the supply chain.

91 Intellectual Property Office of the Philippines, "IPOP HL Reports P 8.2 Billion Worth of Counterfeit Goods Seized in 2017", undated. Accessed at: <https://www.ipophil.gov.ph/releases/2014-09-22-06-26-21/699-ipophil-reports-p-8-2-billion-worth-of-counterfeit-goods-seized-in-2017>.

92 Intellectual Property Office of the Philippines, "NCIPR, IPOP HL net P5.3 B of fake goods in Q1 2018", undated. Accessed at: <https://www.ipophil.gov.ph/releases/2014-09-22-06-26-21/758-ncipr-ipophil-net-p5-3-b-of-fake-goods-in-q1-2018>.

93 Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

94 Ibid.

95 UNODC, "Transnational Organized Crime In East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013; Interpol, "Countering Illicit Trade in Tobacco Products: A Guide for Policy-Makers", Interpol Legal Handbook Series, Lyon, France, June 2014.

96 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

97 Ibid.

On the other hand, in Europe, a number of counterfeit manufacturing sites can be found in the Neapolitan area of Italy, controlled by the Camorra, which specializes in producing leather goods and footwear, products that have been legitimately manufactured in the region for generations. The region is also an important point of entry for foreign goods, in particular from countries such as China, Egypt and Turkey, as well as unbranded products that are subsequently labelled with counterfeit logos and packaging. The Camorra is known to collaborate with Chinese crime networks in this trade, and the Naples harbour is dominated by Chinese shipping companies.<sup>98</sup> In recent years, large communities of Asian nationals, especially Chinese, have created their own counterfeiting business hubs in Italy, which may include the import and manufacture of such goods.<sup>99</sup>

A recent study of the European counterfeit goods market found that online vendors in mainland China are establishing shadow companies in Hong Kong, China for the purpose of setting up e-shops to market and distribute counterfeit goods, deliberately shipping them through the territory in order to mislead customers of the origin of the goods and to avoid domestic legal liabilities on the mainland.<sup>100</sup>

### Market size estimate

Given the poor and varied quality of data related to the counterfeit goods trade in Southeast Asia, accurate calculations of the volume and value of the market are not possible. Different terminologies and data-collection methods among agencies and countries further complicate matters.

98 EUROPOL and OHIM 2015. "2015 Situation Report on Counterfeiting and Piracy in the European Union", a joint project between Europol and the Office for Harmonization in the Internal Market, Brussels, April 2015. Accessed at: <https://euipo.europa.eu/ohimportal/documents/11370/80606/2015+Situation+Report+on+Counterfeiting+in+the+EU>.

99 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>; UNODC, "Transnational Organized Crime In East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

100 Europol and EUIPO, "2017 Situation Report on Counterfeiting and Piracy in the European Union", A joint project between Europol and the European Union Intellectual Property Office, Brussels, June 2017. Accessed at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-in-european-union>.

The data that do exist can reflect the varying levels of enforcement by police and customs authorities and the extent and frequency with which they seize counterfeit goods. These seizures represent only a small fraction of the actual number of goods on the market, thus making comparisons or extrapolations from the limited data set a challenge.<sup>101</sup> For these reasons, a number of different methodologies have been used by private and public agencies that seek to estimate the size of the market, resulting in a broad spectrum of global estimates.

It is therefore necessary to refer to statistics related to the legitimate global trade and to combine this data with information from other studies on the counterfeit goods market. The scope of this analysis is limited to the flow of counterfeit goods from and through Southeast Asia to international markets, namely Australia, China, European Union, Japan, India, the Republic of Korea, and the United States.

Perhaps the most comprehensive research has been conducted by the Organization for Economic Cooperation and Development (OECD), which estimated that the international trade in counterfeit and pirated products represented up to 2.5 per cent of world trade in 2013 (up from 1.9 per cent in 2008), with a value of US\$ 461 billion.<sup>102</sup> Asian economies were indicated as the largest exporter in terms of value in 2013, with US\$ 310 billion of fake exports, the large majority of which originated from China and Hong Kong, China.<sup>103</sup> A related study, conducted by the U.S. Chamber of Commerce and using more recent data, estimates the value of counterfeit goods and fraudulent

101 In addition, private commercial businesses are reluctant to share information related to revenue losses due to counterfeit imitations to avoid damaging consumer confidence. U.S. Government Accountability Office, "Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods," Report to Congressional Committees, April 2010, pp. 16–17. Taken from page 13 of <https://www.uschamber.com/sites/default/files/documents/files/measuringthemagnitudeofglobalcounterfeiting.pdf>.

102 This figure does not include domestically produced and consumed counterfeit products or the large volume of pirated digital products distributed via the Internet, which would make the figure of worldwide counterfeiting several hundred billion dollars higher. OECD and EUIPO, "Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2016. Accessed at: <https://doi.org/10.1787/9789264252653-en>.

103 The estimated share of world exports of counterfeit goods by provenance for Asia is the highest (5.3 per cent), followed by the Middle East (2.4 per cent) and Africa (1.6 per cent). OECD and EUIPO, "Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends", OECD and the European Union Intellectual Property Office, OECD Publishing, Paris, 2018. Accessed at: <http://dx.doi.org/10.1787/9789264289550-en>.

medicines originating from China alone at more than US\$ 285 billion.<sup>104</sup> Of the overall global counterfeit goods market, the trade in fraudulent medicines has been estimated at between 10 and 30 per cent in developing markets in Asia.<sup>105</sup>

In 2017, Southeast Asia's largest export markets were China (US\$ 374.1 billion), the EU (US\$ 315.7 billion), the United States (US\$ 285.4 billion) and Japan (US\$ 211.1 billion). In addition, ASEAN economies also exported goods worth approximately US\$ 110 billion to the Republic of Korea, US\$ 90.6 billion to India, and US\$ 69 billion to Australia during the year. Taken together, the value of exports from Southeast Asia to these markets totalled some US\$ 1.46 trillion.<sup>106</sup>

Using the OECD's 2.5 per cent estimate, the value of the counterfeit goods originating from or transiting through Southeast Asia to these markets (China \$9.4bn; EU \$7.9bn; US \$7.1bn; Japan \$5.3bn; Republic of Korea \$2.75bn; India \$2.3bn; Australia \$1.7bn) would amount to roughly US\$ 36.4 billion.

However, the illicit revenues generated by the trade in falsified medicines in Southeast Asia, estimated to be between US\$ 520 million and 2.6 billion<sup>107</sup> should be subtracted from US\$ 36.4 billion, which would yield a net value of between US\$ 33.8 – 35.9 billion.

## Looking ahead

Southeast Asia will continue to be a major hub in the supply chains for global counterfeit goods markets. As industrial capacity in the region continues to expand, it is likely some of that capacity will be used to produce unauthorized overruns and cheaper imitations of brand-name products. Counterfeiters in Southeast Asia already produce, assemble and repackage a wide range of fake consumer goods and industrial products and they continue to target

the region's seaports and free trade zones to distribute these bogus products. With the growth in e-commerce and advertising on social media, the range of counterfeit goods sold online has further broadened and diversified making it easier for criminals and more difficult for law enforcement.

The significant quantities of illicit tobacco products originating or transiting through Southeast Asia and the circulation of substandard and hazardous consumer goods, automobile parts, industrial machinery and other products from and through the region will continue to present regional and global health risks to consumers.

Money laundering will be likely used to introduce the proceeds of crime into the legitimate economy. As profits are increasingly derived via online trade, more technologically advanced methods of money laundering are expected to be used in the future. In order to react to these changes and disrupt the money trail of commercial-scale counterfeiting and piracy activities, a 'follow the money approach' will need to be implemented in order to identify the counterfeiters. This will require closer cooperation and information exchange between law enforcement, private companies and banks, and other stakeholders, including on suspicious transactions potentially linked to counterfeiting crime.

## Policy options and responding

To address the factors that enable the trade in counterfeit goods, money laundering and corruption that facilitates these illicit activities, government authorities are urged to use the existing international legal framework, including the United Nations Convention against Transnational Organized Crime (UNTOC) and the United Nations Convention against Corruption (UNCAC), which contain extensive provisions to seize illicit gains from offenders.

A response to the trade in illicit tobacco products and other hazardous products requires a coordinated regional and global effort among several different stakeholders, including public health agencies, customs and tax authorities, law enforcement, government policymakers, consumer protection organizations and consumers.

104 U.S. Chamber of Commerce, "Measuring the Magnitude of Global Counterfeiting: Creation of a Contemporary Global Measure of Physical Counterfeiting", U.S. Chamber of Commerce Global Intellectual Property Center, Washington, D.C., 2016. Accessed at: <https://www.uschamber.com/sites/default/files/documents/files/measuringthemagnitudeofglobalcounterfeiting.pdf>.

105 UNODC, "The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime", Vienna, undated. Accessed at: [https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit\\_focussheet\\_EN\\_HIRES.pdf](https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf)

106 ASEAN Stats Data Portal, undated. Accessed at: <https://data.aseanstats.org/trade>

107 For more information, see the following chapter.

Internet platforms, including search engines, online marketplaces, trading platforms and payment service providers should cooperate and take responsibility for the illicit activities that take place on them or are facilitated through them, and they must take further efforts to make it more difficult to access counterfeit goods and other substandard, hazardous and IPR-infringing materials.





## **Falsified Medicines**







## Falsified Medicines

### Overview of the situation

Southeast Asia's growing pharmaceutical market, its aging and growing population and robust consumer purchasing power continue to stimulate demand for affordable medicines, including lesser quality and cheaper medical products. At the same time, Southeast Asia's geographical proximity to major fraudulent producers makes the region vulnerable to the trade of falsified medicines and products. Internet commerce is another driving factor for the growth of the falsified medicines trade in the region.

The non-medical use of falsified medicines in Southeast Asia increasingly intersects with the demand for new psychoactive substances not under international control, in particular benzodiazepines and the emerging demand for synthetic opioids such as tramadol, which have become more easily available via illicit online pharmacies.

The circulation of falsified medicines presents serious public health and safety risks and threatens the achievement of Sustainable Development Goal 3, to ensure the right to access a reliable standard of healthcare and medicine quality for all.

### Nature of the market

'Falsified' medicines, often referred to as 'fraudulent' medicines, are marketed with the intention of deceiving buyers as to the content of what they are buying. These include misbranded

(spurious/fake/falsely labelled) products and those that do not contain what they purport to – i.e. medicines in which the active ingredients are inert, are less than, more than or different from what is indicated, or have expired. They are available in both formal and informal settings, including hospitals, pharmacies, street vendors and online marketplaces. Falsified medical products are often produced in poor or unhygienic conditions by unqualified personnel, and some are found to contain lethal levels of the wrong active ingredient or other toxic substances.<sup>1</sup>

The illicit trade in falsified medicines affects every region of the world and it could represent the most harmful form of transnational organized crime in terms of its direct impact on public health and safety. Its consequences on industry and government are also severe. All kinds of medicines, both branded and generic, are made fraudulently and are sold on the market in Southeast Asia in the form of identical copies of genuine medicines, look-alikes, rejected medicines and re-labelled medicines. The falsified medicines range from ordinary painkillers and antihistamines, to 'lifestyle' medicines, such as those taken for weight loss and sexual dysfunction (particularly Pfizer's 'Viagra'), as well as life-saving medicines including those for the treatment of cancer, diabetes and heart disease.<sup>2</sup> In some cases, customers may end up buying lower quality but

1 World Health Organization (WHO), "Substandard and falsified medical products", Fact Sheets, 31 January 2018.

2 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment", UNODC Regional Office for Southeast Asia and the Pacific, April 2013.

cheaper and affordable medications. In other cases, people waste money on medical products that not only fail to treat or prevent disease, but may cause serious illness or death. In this chapter, the term ‘falsified’ refers to any product that does not contain what the packaging indicates, including chemical content, branding, freshness and potency. The regulatory framework for medicines require that countries register specific products for sale in their countries (registered/approved/licensed medicines). In this chapter, the term ‘illicit’ medicines is used to refer broadly to any falsified, substandard,<sup>3</sup> counterfeit<sup>4</sup> medical products as well as unregistered/unlicensed products – genuine products which are not approved for a particular market.<sup>5</sup> In many instances, the data for Southeast Asia do not specify whether a particular medical product is falsified, substandard, counterfeit or unregistered/unlicensed, and thus the term ‘illicit’ medicines is used where the type of illegality is unspecified, or in cases where the original source refers to non-legal medicines as ‘illicit’.

The World Health Organization (WHO) estimates that roughly one in 10 medical products<sup>6</sup> in circulation in low- and middle-income countries is either substandard or falsified,<sup>7</sup> accounting for some 10.5 per cent of the revenues of a US\$ 30 billion industry in these countries.<sup>8</sup> Other studies suggest a higher average market penetration of up to about 30 per cent in developing countries and an even higher rate in some parts of the

world for certain medicines such as antibiotics and antimalarial drugs.<sup>9</sup>

A recent report from the WHO shows that Southeast Asia accounts for only two per cent of the total number of reports on falsified and substandard medical products collected at the global level between 2013 and 2017 through the Global Surveillance and Monitoring System (GSMS).<sup>10</sup> In addition, in 2016, the World Customs Organization (WCO) did not receive any alerts from Southeast Asian countries for falsified medicines trafficking; yet the WCO confirms that much of this type of trafficking takes place in, or transits through, Southeast Asia.<sup>11</sup>

It should be noted that regions more frequently linked to pharmaceutical crime incidents are not necessarily those with weak enforcement and inspection programmes. Countries in these regions are identifying pharmaceutical crime through law enforcement activity and inspections by drug regulatory agencies. Regions reporting a lower number of incidents are not necessarily less affected by or at a lower risk of pharmaceutical crime. In some regions, fraudulent medicines often go undetected due to competing law enforcement priorities, lack of resources or inadequate regulatory structures.<sup>12</sup> Therefore, data from WHO and WCO should be interpreted with caution, as the number reported from Southeast Asia is highly likely underrepresented and/or there may be a lack of capacity among countries in the region for detecting falsified medical products. This chapter also refers, where possible, to data on medications which failed chemical assay analysis, and also to data on legitimate trade volumes of pharmaceutical products with countries that have been identified as origins of falsified medicines seized in global markets.

3 The WHO defines “substandard” medicines as authorized medical products that fail to meet either their quality standards or specifications, or both; also called “out of specification” medicines.

4 There is no universally agreed definition among member states of what was previously referred to as “counterfeit medicine”; however, it has widely been used to refer to falsified, unlicensed, falsely packaged, stolen and substandard medical products.

5 The WHO defines “unlicensed/unregistered” medical products as those that have not undergone evaluation and/or approval by the National or Regional Regulatory Authority (NRA) for the market in which they are marketed/distributed or used, subject to permitted conditions under national or regional regulation and legislation. Thus, for example, the sale of a genuine brand of ibuprofen which is only licensed for sale in Singapore, would be termed unregistered/unlicensed if sold in other markets such as Thailand. WHO, “Definitions of Substandard and Falsified (SF) Medical Products”. Accessed at: <https://www.who.int/medicines/regulation/ssffc/definitions/en/>.

6 According to WHO, medical products include medicines, vaccines and diagnostic kits.

7 WHO, “WHO urges governments to take action”, News Release, Geneva, 28 November 2017. Accessed at: <http://www.who.int/news-room/detail/28-11-2017-1-in-10-medical-products-in-developing-countries-is-substandard-or-falsified>.

8 WHO, “WHO Global Surveillance and Monitoring System for substandard and falsified medical products”, Geneva, 2017.

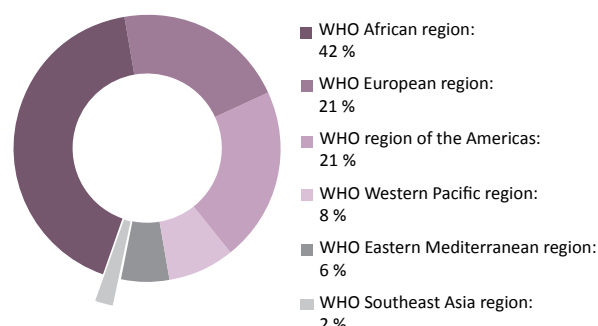
9 WHO, “Substandard and falsified medical products”, Fact Sheets, 31 January 2018.

10 WHO manages the Global Surveillance and Monitoring System for substandard and falsified medical products (GSMS), which collects reports of suspected substandard or falsified medical products submitted by public, healthcare professionals, industry, supply chain, customs, police, procurers and nongovernmental organizations to the national or regional medicines regulatory authority (NMRA).

11 WCO, “Illicit Trade Report 2016”, World Customs Organization, Brussels, November 2017.

12 Pharmaceutical Security Institute, Counterfeit Situation, Geographic Distribution, 2018. <http://www.psi-inc.org/geographicDistributions.cfm>.

**Figure 1: Percentage of reports from countries in which substandard and falsified medical products have been discovered and reported to the WHO Global Surveillance and Monitoring System, by region, 2013-2017**



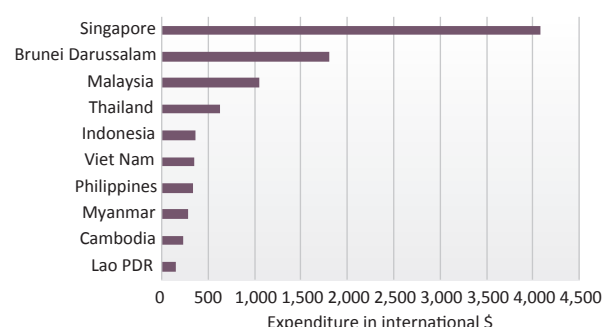
Source: WHO, "WHO Global Surveillance and Monitoring System for substandard and falsified medical products", Geneva, 2017. Accessed at: [http://www.who.int/medicines/regulation/ssffc/publications/GSMS\\_Report.pdf?ua=1](http://www.who.int/medicines/regulation/ssffc/publications/GSMS_Report.pdf?ua=1).

Total health expenditure in Southeast Asia is about four per cent of Gross Domestic Product (GDP) on average, according to WHO data, compared with the Organisation for Economic Co-operation and Development (OECD) average of about nine per cent. In Southeast Asia, as in lower- and upper-middle-income countries in other regions of the world, pharmaceuticals account for a high portion of health expenditures of individuals and for a larger share of national health budgets in resource-constrained countries.<sup>13</sup> Per capita health expenditure in Purchasing Power Parity (PPP) in Southeast Asia<sup>14</sup> in 2016, the latest year for which data are available, ranged from more than US\$ 4,000 in Singapore and US\$ 1,800 in Brunei Darussalam to between about US\$ 120-300 in Cambodia, Lao PDR, Myanmar, and Timor Leste.<sup>15</sup>

The Asia region continues to be a major hub for the trafficking of falsified, substandard and counterfeit products. In 2017, Asia accounted for 21.9 per cent of the total 3,509 global pharmaceutical crime incidents reported to the Pharmaceutical Security Institute (PSI) Counterfeit Incident System

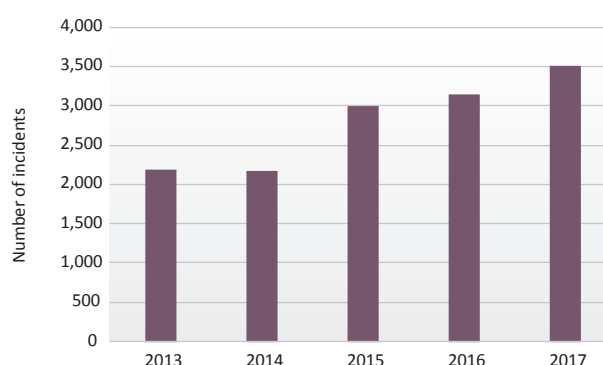
(CIS).<sup>16</sup> The 3,509 incidents is the highest total ever reported, and represents an 11 per cent increase from the number of incidents reported in 2016 and a 60 per cent increase from 2013.<sup>17</sup> The number of reported incidents related to Southeast Asia in 2017 (127 incidents) accounts for 16.5 per cent of the total reported from Asia and just 3.6 per cent of the global total.<sup>18</sup>

**Figure 2: Health expenditure per capita in Southeast Asia, PPP (in current international \$), 2016**



Source: WHO Global Health Expenditure database.

**Figure 3: Total number of global pharmaceutical crime incidents reported to the Pharmaceutical Security Institute CIS database, 2013-2017**



Source: Pharmaceutical Security Institute, Counterfeit Situation, Incident Trends, 2018.

13 WHO, "How Pharmaceutical Systems Are Organized in Asia and the Pacific", WHO Regional Office for the Western Pacific and OECD, Manila, 2018.

14 The health expenditure estimates track all health spending in a given country over a defined period of time regardless of the entity or institution that financed and managed that spending.

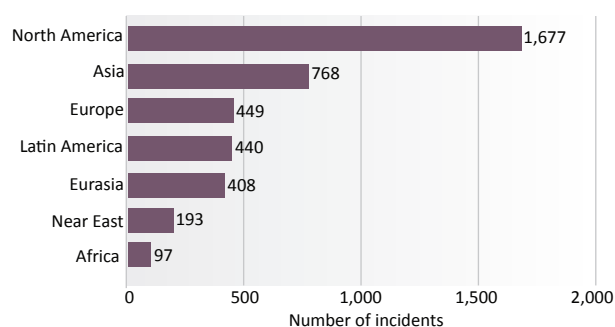
15 The World Bank, Current health expenditure per capita (current US\$). Accessed at: <https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD>.

16 According to PSI: "An incident is a discrete event triggered by the discovery of counterfeit, illegally diverted or stolen pharmaceuticals. PSI considers an incident to be a unique occurrence. It must have adequate factual information such as a particular date, time, place and type of pharmaceutical product involved in order for it to be considered a unique incident." Accessed at: <http://www.psi-inc.org/counterfeitSituation.cfm>.

17 Pharmaceutical Security Institute, Counterfeit Situation, Incident Trends, 2018. Accessed at: <http://www.psi-inc.org/incidenttrends.cfm>.

18 Official correspondence with the Pharmaceutical Security Institute, September 2018.

**Figure 4: Geographical distribution of pharmaceutical crime incidents reported to the Pharmaceutical Security Institute CIS database, 2017**



Note: The geographical classifications used in the figure are from the original source.

Source: Pharmaceutical Security Institute, Counterfeit Situation, Geographic Distribution, 2018.

There are strong indications that a fair portion of pharmaceuticals available in the region are falsified. For instance, there has been a persistent concern in the Mekong region<sup>19</sup> with the circulation of anti-malarial drugs. Substandard anti-malarial treatments such as counterfeit mefloquine and artemisinin medications have been found since at least the late 1990s<sup>20</sup> and their circulation remains a health threat today, including in Myanmar.<sup>21</sup> Drug-resistant malaria continues to be reported in critical border areas, such as along Thailand's borders with Cambodia and Myanmar. These remote areas are more vulnerable to the infiltration of fake products because of gaps in health systems and health service delivery in some areas, which may drive patients to rely on unregulated private sector providers,<sup>22</sup> contributing to poor treatment outcomes and wasteful spending.

Antimicrobial treatments are also a vulnerability in Southeast Asia. A study published in 2017 revealed that 28.5 per cent of such treatments screened between 2011 and 2014 in the region were

19 The Mekong region includes Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and China.

20 Krystyn Hall, et al. "Characterization of counterfeit artesunate antimalarial tablets from Southeast Asia", in *The American Journal of Tropical Medicine and Hygiene*, Vol. 75, Issue 5, 804-811, November 2006. Accessed at: <http://www.ajtmh.org/content/journals/10.4269/ajtmh.2006.75.804>.

21 Suquin Guo, et al., "Quality Testing of Artemisinin-Based Antimalarial Drugs In Myanmar", in *The American Journal of Tropical Medicine and Hygiene*, Vol. 97 (4): 1198-1203, 2017. Accessed at: DOI: 10.4269/ajtmh.17-0305.

22 Marie Lamy and Marco Liverani, "Tackling Substandard and Falsified Medicines in the Mekong: National Responses and Regional Prospects", in *Asia & The Pacific Policy Studies*, 19 May 2015. Accessed at: <https://onlinelibrary.wiley.com/doi/full/10.1002/app5.87>.

substandard or falsified.<sup>23</sup> In 2016, the WHO issued two alerts after discovering two falsified hepatitis C treatments (sold as LEDSO or DAKAVIR) and a falsified yellow fever vaccination (sold as AMARIL) were available on local markets.<sup>24</sup>

Recent seizures made by Interpol have included falsified rabies vaccines in the Philippines (2015),<sup>25</sup> illicit anti-cancer medication in Myanmar (2016),<sup>26</sup> and anabolic steroids, sleeping pills, pregnancy test kits, and drugs for infertility and weight loss in Singapore (2016).<sup>27</sup> An Interpol operation in 2017 resulted in the seizure of 1.2 tons of erectile dysfunction pills in Viet Nam.<sup>28</sup> A range of other counterfeit drugs commonly found in the region include antibiotics, anti-TB drugs and anti-retroviral agents to vitamins, painkillers and hormones to traditional and herbal medicines. There is also evidence of non-medical use of pharmaceuticals which are illicitly manufactured or diverted from the legal market in some Southeast Asian countries, such as tramadol and benzodiazepines.<sup>29</sup>

The internet has made medicines more affordable and easier to get than ever, with roughly 30,000 to 35,000 online drug vendors selling pharmaceutical drugs.<sup>30</sup> However, it has also made it more difficult

23 IRACM, "Medicine Falsification in South East Asia", International Institute of Research Against Counterfeit Medicines, 01 May 2018.

24 Ibid.

25 Interpol, "Falsified and illicit medicines worth US\$ 7 million seized across Asia in INTERPOL-led operation", 21 December 2015. Accessed at: <https://www.interpol.int/News-and-media/News/2015/N2015-228>.

26 The term 'illicit' derives from the original source. Interpol, "Online sale of fake medicines and products targeted in INTERPOL operation", 09 June 2015. Accessed at: <https://www.interpol.int/en/News-and-Events/News/2016/Online-sale-of-fake-medicines-and-products-targeted-in-INTERPOL-operation>.

27 World Customs Organization, "WCO participates in Operation Pangea IX against fake and illicit medicines", 09 June 2016. Accessed at: <http://www.wcoomd.org/en/media/newsroom/2016/june/wco-participates-in-operation-pangea-ix-against-fake-and-illicit-medicines.aspx>.

28 Interpol, "Millions of medicines seized in largest INTERPOL operation against illicit online pharmacies", 25 September 2017. Accessed at: <https://www.interpol.int/en/News-and-Events/News/2017/Millions-of-medicines-seized-in-largest-INTERPOL-operation-against-illicit-online-pharmacies>.

29 Royal Thai Customs Department, "NPS situation in Thailand presented at the WCO Catalyst 2 Training Workshop, Seoul, the Republic of Korea, April 2018.

30 This figure includes only those websites identified by the Center for Safe Internet Pharmacies database whose primary purpose is to sell or facilitate the sale of pharmaceutical drugs, whether payments take place within the website's URL or directs to a different URL for the transaction, which then may direct to another URL dedicated to facilitating illicit drug payments. This figure does not include third-party websites such as amazon.com or alibaba.com, and also does not include separate subdomains used by single online pharmacy operators who deploy multiple URLs but only unique websites. Center for Safe Internet Pharmacies, "The Internet Pharmacy Market in 2016: Trends, Challenges and Opportunities", January 2016. Accessed at: <http://safemedsonline.org/wp-content/uploads/2016/01/The-Internet-Pharmacy-Market-in-2016.pdf>.



for consumers to know what they are buying is not counterfeit, contaminated or otherwise unsafe. A large portion of consumers who purchase fraudulent medicines – whether from online or street vendors – are unaware of the presence, let alone the dangers, of substandard medicines.

Online medicine vendors make use of unauthorized and unregulated online pharmacies, rogue domain name registrars, electronic payment systems and delivery services, and social media sites that illegally advertise or sell falsified medicines. The WHO has estimated that more than half of the medicines purchased online from websites that conceal their physical address are most likely counterfeit.<sup>31</sup> Most of the illicit online pharmacies are indicated to be hosted on a small number of domain registrars, which either do not have, or do not adequately enforce, policies to prohibit illicit pharmaceutical drug sales.<sup>32</sup>

An estimated 10 per cent of the pharmaceutical products available online globally consists of internationally controlled substances – such as Oxycontin (oxycodone), Xanax (alprazolam) or Vicodin (hydrocodone) – particularly anabolic steroids, which are legal in only a few countries and have been found to be available on some 3,000–4,000 websites.<sup>33</sup> In addition, a growing range of New Psychoactive Substances (NPS)<sup>34</sup> – sometimes referred to as ‘legal highs’ or ‘designer drugs’ – have become increasingly available on illicit online pharmacies,<sup>35</sup> enabling criminals to supply the demand for prescription required opioids, such as oxycodone in North America,<sup>36</sup> as well as a growing range of NPS through online marketplaces and express or postal services.<sup>37</sup>

31 WHO, “Growing threat from counterfeit medicines”, Bulletin of the World Health Organization, undated.

32 Center for Safe Internet Pharmacies, “The Internet Pharmacy Market in 2016: Trends, Challenges, and Opportunities”, Washington, D.C., January 2016.

33 Ibid.

34 NPS are substances which mimic the effects of controlled substances but are not under the International Drug Control Conventions and thus, their legal status can vary widely from country to country.

35 Center for Safe Internet Pharmacies, “The Internet Pharmacy Market in 2016: Trends, Challenges, and Opportunities”, Washington, D.C., January 2016.

36 U.S. Food and Drug Administration, “FDA takes new enforcement actions as part of the agency’s ongoing effort to combat the illegal online sales of opioids”, 02 April 2019. Accessed at: <https://www.fda.gov/news-events/press-announcements/fda-takes-new-enforcement-actions-part-agencys-ongoing-effort-combat-illegal-online-sales-opioids>.

37 Cristina Miliano, et al, “Sales and Advertising Channels of New Psychoactive Substances (NPS): Internet, Social Networks, and Smartphone Apps”, in *Brain Sciences*, Vol. 8 (7): 123, 2018. Accessed at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6071095/>.

Organized criminal groups in Asia appear to be actively involved in the illicit online medicine trade. In Indonesia, major pharmaceutical counterfeiting networks coordinate much of the manufacture and traffic in falsified medicines in the country, with a large share of the trade conducted via the internet. According to local media, government officials reported that almost half of the 361 intellectual property infringement cases detected in Indonesia during the first quarter of 2018 involved violations in the pharmaceutical sector. During the same time period, authorities made 230 recommendations to close websites selling counterfeit medicines and promoting non-medical drug use, compared with 156 total recommendations in all of 2017.<sup>38</sup> In January 2018, Thai authorities seized an illicit pharmaceutical factory producing falsified tramadol tablets some of which appeared to have been trafficked to the United States and Europe.<sup>39</sup>

Data from Canada indicate that Asia-based criminal groups are increasingly attempting to traffic falsified medicines into the country, via online pharmacies. The online pharmacy network Worldwide Drug Store is a good example of the rogue online pharmacy model. It is comprised of roughly 1,000 to 1,500 websites selling pharmaceutical drugs without a prescription, usually imported to Canada from India or Southeast Asia.<sup>40</sup> The National Association of Boards of Pharmacy (NABP) found that half of the online pharmacies the NABP studied which purported to be ‘Canadian’ actually shipped medications purchased from India, or mixtures of drugs sourced from India and other countries, including Hong Kong, China, and Singapore. One such vendor, Investra-24hrs, is a network with about 150 online pharmacies for selling pharmaceutical drugs, including controlled substances, which purports to operate from Argentina but sources many drugs from India and Southeast Asia.<sup>41</sup>

Illicit online pharmacies also use other channels to sell their products, including the dark web, access to which requires specialized software

38 CNBC Indonesia, “Peredaran Obat Palsu Menggila, Aturan E-Farmasi Disiapkan”, 30 April 2018. Accessed at: <https://www.cnbcindonesia.com/news/20180430140831-4-13029/peredaran-obat-palsu-menggila-aturan-e-farmasi-disiapkan>.

39 Royal Thai Customs, “NPS Situation in Thailand”, presented at the WCO Catalyst 2 Training Workshop, Seoul, the Republic of Korea, April 2018.

40 Center for Safe Internet Pharmacies, “The Internet Pharmacy Market in 2016: Trends, Challenges, and Opportunities”, Washington, D.C., January 2016.

41 Ibid.



or configurations and some level of technical competence. Designed to protect anonymity and privacy, the dark web may be better known for the availability of illicit controlled drugs; however prescription-only pharmaceuticals including those that are also used non-medically have been found to constitute an increasing share of the total illegal content available on the dark web, while illicit drugs themselves – those defined as non-pharmaceutical substances bought or sold for recreational purposes – are among the most widely purchased items on the dark web.<sup>42</sup> Although the scale of drug trafficking on the dark-net remains limited, it has shown signs of rapid growth. Authorities in Europe estimated that drug sales on the dark web from 22 November 2011 to 16 February 2015 amounted to roughly US\$ 44 million per year. However, a later study estimated that, in early 2016, drug sales on the darknet were between US\$ 14 million and US\$ 25 million per month, equivalent to between US\$ 170 million and US\$ 300 million per year.<sup>43</sup> However, some have argued that illicit online drug sales will migrate to decentralised marketplaces that use direct peer-to-peer software, which is easier to use and navigate than the dark web.<sup>44</sup>

In addition to the detrimental health risks to consumers, the circulation of falsified medicines presents a threat to infectious disease control at the national, regional and global level, fuelling a rise in mortality rates due to non-treated diseases, antimicrobial resistance, and the spread of diseases resistant to treatments.

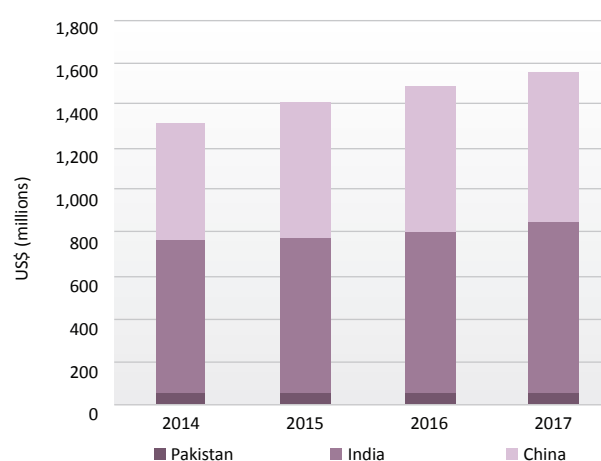
### Falsified medicines from China, India and Pakistan to Southeast Asia

Between 2012 and 2017, Southeast Asian countries imported around US\$ 9.5–11.6 billion worth of pharmaceutical products each year, of which roughly 10 per cent were imported from India and China combined. During the 2012–2017 period, ASEAN's imports of pharmaceutical products from the all markets in the world (including from Southeast Asian countries) increased at a compound annual growth rate (CAGR) of 4.03 per cent while imports from India and China to

Southeast Asia grew at rates of 7.22 per cent and 5.11 per cent respectively.<sup>45</sup> In addition, the data indicate Pakistan is an increasingly important source of pharmaceuticals for Southeast Asia, with imports from the country having grown at a CAGR of 5.08 per cent during the same time period.<sup>46</sup>

These are legal supply chains, but they are also vulnerable to the penetration of falsified products, as China and India are also the two most referred origins of falsified medicines globally<sup>47</sup> and a large portion of the fake pharmaceutical products that flow through Southeast Asia are produced in the two countries.<sup>48</sup> According to the Pharmaceutical Security Institute, Pakistan, which has recorded several recent cases related to deaths caused by falsified medicines, is becoming an increasingly important source for fake medicines in Southeast Asia.<sup>49</sup> In total, Pakistan's global legal pharmaceutical exports increased more than four-fold, from approximately US\$ 44.4 million in 2003 to US\$ 207.4 million in 2017, increasing by a CAGR of 11.63 per cent during that time.<sup>50</sup>

**Figure 5: Value of pharmaceutical exports from China, India and Pakistan to Southeast Asia, 2014–2017**



Source: United Nations Comtrade Database (UNCOMTRADE)

42 Katrina Megget, "Study explores activity on dark web", Securing Pharma, 03 November 2016. Accessed at: <https://www.securingsindustry.com/pharmaceuticals/study-explores-activity-on-dark-web/s40/a3015/?cmd=PrintView&nosurround=true>.

43 UNODC "World Drug Report 2018", Vienna, June 2018.

44 Center for Safe Internet Pharmacies, "The State of Opioid Sales on the Dark Web", Washington, D.C., June 2018.

45 Figures based on data from the ASEAN Stats Data Portal. Accessed at: <https://data.aseanstats.org/>.

46 Ibid.

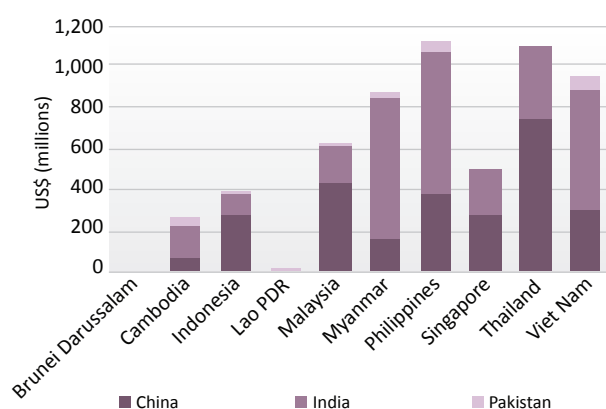
47 OECD, "Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact", OECD Publishing, Paris, 2016. Accessed at: <https://doi.org/10.1787/9789264252653-en>.

48 World Customs Organization, "2016 Illicit Trade Report", Brussels, November 2017.

49 Official correspondence with the Pharmaceutical Security Institute, September 2018.

50 UN Comtrade Database. Accessed at: <https://comtrade.un.org/data>.

**Figure 6: Value of pharmaceutical exports from China, India and Pakistan to Southeast Asia by country, 2014-2017**



Source: UNCOMTRADE.

The database of the Pharmaceutical Security Institute (PSI) shows that from 2013 to 2017, a total of 673 pharmaceutical crime incidents were linked to a country in Southeast Asia, as the point of seizure, source, intended destination, or transit point for illicit pharmaceuticals.<sup>51</sup> These included 353 incidents of counterfeiting and 317 incidents of illegal diversion,<sup>52</sup> as well as three major thefts, which all occurred in Malaysia in 2015. Of the total number of incidents reported to PSI, enough detail was available in some cases to identify a source. Pakistan, Turkey, India, China, Taiwan Province of China, and Southeast Asian countries themselves featured as prominent origin points for counterfeit and diverted medicines detected in or linked to Southeast Asia.<sup>53</sup>

Of the total 673 incidents reported, 460 took place within Southeast Asia, the majority of which occurred in the Philippines (193), Thailand (110),

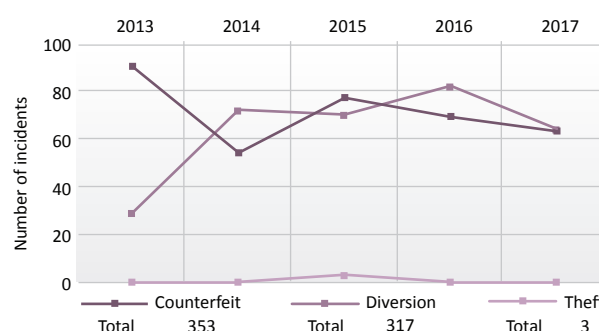
51 There are three recognized limitations to the data recorded by the PSI Counterfeit Incident System (CIS). First, counterfeiters and their associates know they are committing a crime and seek to avoid detection, which makes data collection and reporting difficult. Second, there may be a 'developed country bias' in CIS data because developed countries provide more regular reporting and verifiable data related to incidents than developing countries. Lastly, PSI member companies' products comprise a significant percentage of the worldwide value of pharmaceuticals sold while many other manufacturers make up an even larger share in terms of units sold. The incidents of counterfeit medicines detected by these manufacturers remain unknown unless they are reported in open source publications or identified through PSI member company investigations. Thus, the proportion of counterfeit PSI member company products may be over-represented in CIS.

52 According to PSI, illegal diversion occurs when a genuine pharmaceutical product is approved and intended for sale in one country, but is then illegally intercepted and sold in another country.

53 Official correspondence with the Pharmaceutical Security Institute, September 2018.

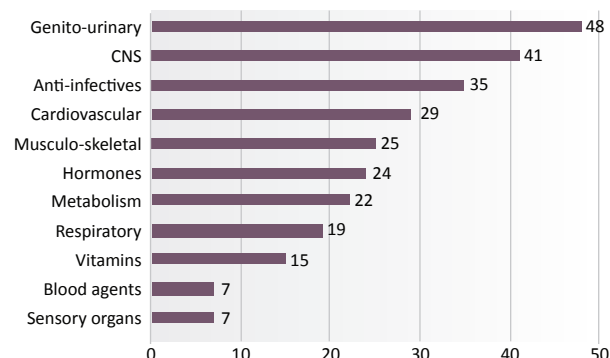
Indonesia (93) and Viet Nam (49). A total of 213 incidents occurred outside the region, but were linked to a Southeast Asian country as the source, intended destination or transit point. Genito-urinary therapeutic products (including erectile dysfunction products), central nervous system (CNS) drugs and anti-infectives were most frequently affected by counterfeiting while cardiovascular drugs, CNS drugs, and alimentary (e.g. nutrition supplements) and metabolism drugs were the most frequently affected by illicit diversion.<sup>54</sup>

**Figure 7: Number of pharmaceutical crime incidents linked to Southeast Asia, 2013-2017**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

**Figure 8: Top therapeutic categories impacted by counterfeiting within Southeast Asia**



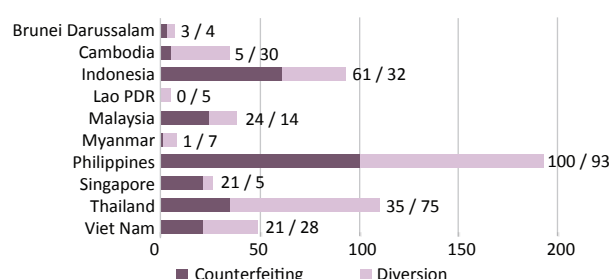
Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

According to PSI data, Pakistan, followed by India and China were the most frequently identified source countries of counterfeit or diverted medicines detected in the Philippines from 2013 through 2017, while thirteen other countries were also identified as sources. According to government reports, illicit medicines smuggled to the Philippines from Pakistan have included 660 kg of counterfeit products detected in air cargo from a Thai Airways

54 Ibid.

flight departing from Karachi, Pakistan via Bangkok in December 2014.<sup>55</sup> In 2015, the Philippines FDA seized slimming products, erectile dysfunction medicines, and other illicit medicines worth US\$ 125,000, the majority of which originated from Pakistan, China and India.<sup>56</sup> Pakistani nationals have also been implicated in distributing illicit medicines within the Philippines. In August 2017, local media reported that police in Manila arrested three Pakistani men for attempting to distribute counterfeit brands of naproxen, paracetamol and dextromethorphan.<sup>57</sup>

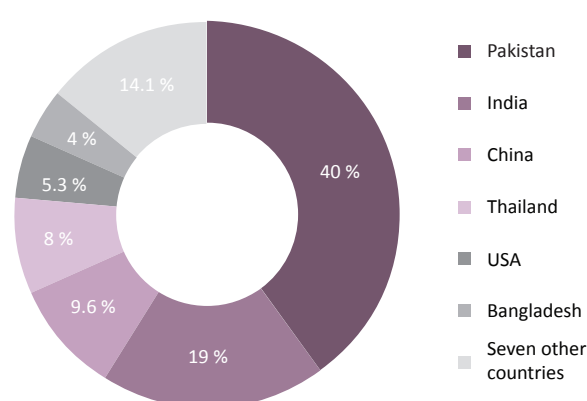
**Figure 9: Number of incidents of counterfeiting and diversion of pharmaceutical products in Southeast Asia, by country, 2013-2017**



Note: In addition, three major thefts were recorded in Malaysia in 2015.

Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

**Figure 10: Top countries identified as a source of illicit medicines detected in the Philippines, 2013-2017<sup>58</sup>**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

55 Philippines Bureau of Customs, "BOC Seizes 660 kg of Illegally Imported Medicines", 30 December 2014. Accessed at: <http://customs.gov.ph/news/2014/12/30/boc%20seizes%20660kg%20of%20illegally%20imported%20medicines/>.

56 Customs Today, "Philippine's FDA Seized P5.9 Worth of Fake, Unregistered Drugs", 24 November 2015. Accessed at: <http://www.customstoday.com.pk/philippines-fda-seizes-p5-9m-worth-of-fake-unregistered-drugs/>.

57 Philstar Global, "3 Pakistanis nabbed for fake drugs," 12 August 2017. Accessed at: <http://www.philstar.com/metro/2017/08/12/1728055/3-pakistanis-nabbed-fake-drugs>.

58 Official correspondence with the Pharmaceutical Security Institute, September 2018.

Turkey has also been identified as a primary source of diverted medicines detected in Thailand and Viet Nam and it is also an important source for other markets in Southeast Asia. From 2014 through 2017, legitimate imports of pharmaceutical products to Thailand and Viet Nam from Turkey increased at a CAGR of about 30.6 per cent and 19.1 per cent respectively.<sup>59</sup> These routes, however, are also being exploited to traffic medical products. In May 2017, Vietnamese Ministry of Public Security officials seized 750 kg of illicit medicines for the treatment of cancer and diabetes worth an estimated US\$ 220,000 at a warehouse in Ho Chi Minh City. Government media reported the medicines had been shipped in air cargo from Turkey to Tan Son Nhat Airport in Ho Chi Minh City, from where the consignment transited through the Moc Bai International Border Gate into eastern Cambodia. It was then trafficked overland through an unofficial border crossing back into Viet Nam before being delivered to Ho Chi Minh City,<sup>60</sup> demonstrating the complex and circuitous routes that criminals often use to smuggle their illicit<sup>61</sup> medicines to destination markets.

### Flows of falsified medicines within and from Southeast Asia

Data indicate that increasing amounts of falsified medicines are being manufactured within the Southeast Asian region.<sup>62</sup> This is in part a result of legitimate and illegitimate pharmaceutical producers based in India and China having transferred or outsourced some manufacturing processes to Malaysia, Viet Nam, Myanmar and Cambodia to avoid tougher regulations and enforcement at home and to benefit from lower production costs abroad.<sup>63</sup> At least some of the falsified medicines being produced in Southeast Asia are indicated to use counterfeit ingredients and packaging originating from China.<sup>64</sup>

59 Figures based on data from the ASEAN Stats Data Portal. Accessed at: <https://data.aseanstats.org/>.

60 Viet Nam News, "Police seize 750kg of medicine smuggled from Turkey", 10 May 2017. Accessed at: <http://vietnamnews.vn/society/376155/police-seize-750kg-of-medicine-smuggled-from-turkey.html#ew455eftWOOg5jor.97>.

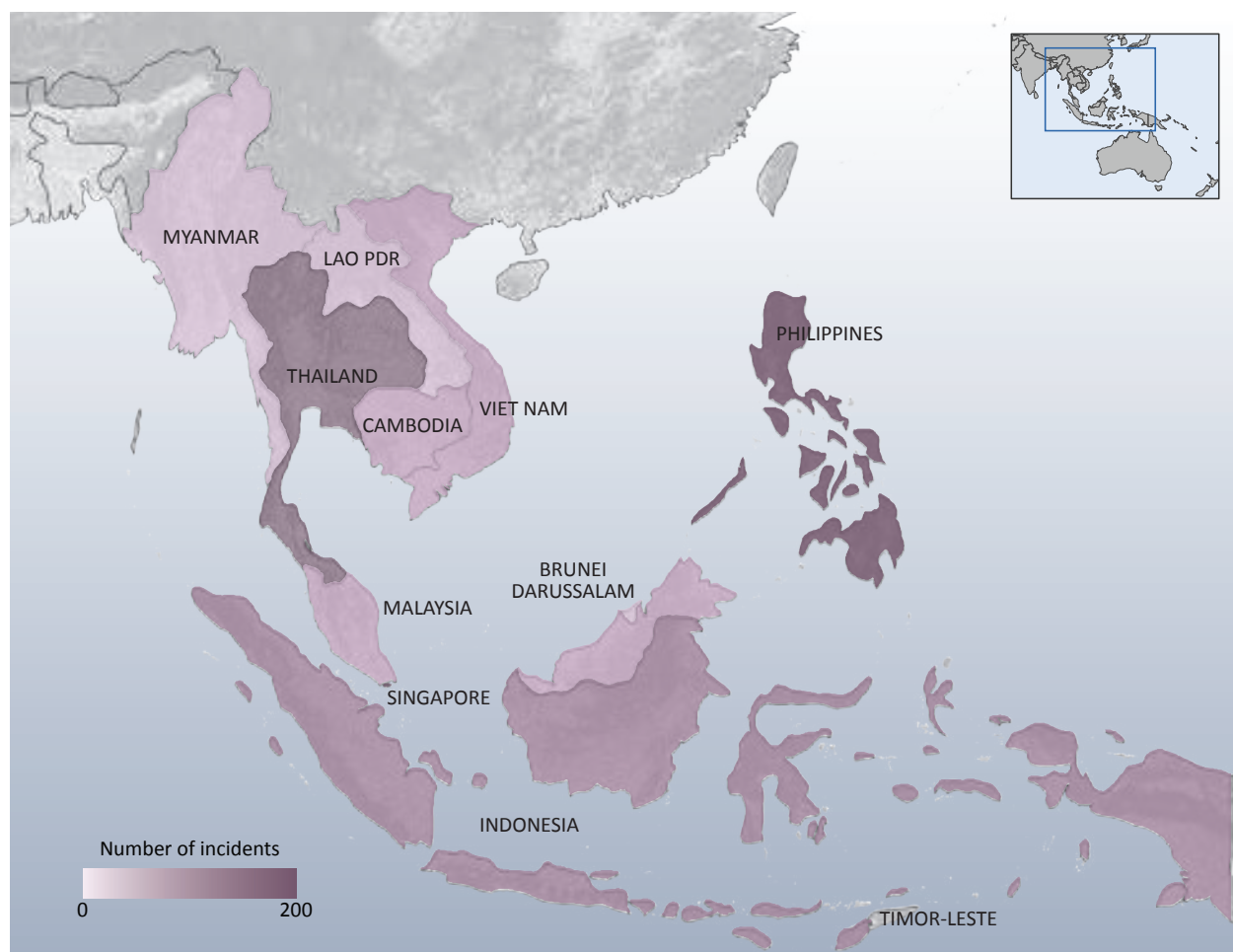
61 The original source for this data does not specify whether the medicines were falsified, substandard, counterfeit or unregistered/unlicensed, and thus the term 'illicit' is used.

62 World Customs Organization, "2016 Illicit Trade Report", Brussels, November 2017.

63 IRACM, "Medicine Falsification in South East Asia", International Institute of Research Against Counterfeit Medicines, 01 May 2018. Accessed at: <http://www.iracm.com/en/2018/05/medicine-falsification-south-east-asia/>.

64 Official communications with pharmaceutical law enforcement officials, November 2018.

**Map 1: Frequency of pharmaceutical crime incidents detected in Southeast Asia, 2013–2017**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

The Philippines, Indonesia, Thailand and Viet Nam were the countries in the region most frequently linked to incidents of counterfeiting or diversion of medicines during 2013–2017. The statistics also show that Singapore was the most important transit point, according to PSI data.<sup>65</sup> Myanmar, Thailand and Viet Nam were identified as major transit points, and criminal counterfeiters in these countries were also indicated as having produced counterfeit medicines for distribution to global markets via Southeast Asia's major seaports.<sup>66</sup> Japan, the United States, Germany and Belgium were notable destinations for counterfeit or diverted medicines originating from Southeast Asia.<sup>67</sup> However, in Japan, pharmaceuticals account for only 1.4 per cent of all counterfeit goods cases

and 3.5 per cent of the quantity of goods seized during the 2013–2017 period.<sup>68</sup>

In the Philippines, locally manufactured counterfeit over-the-counter medicines as well as anti-tuberculosis medicines (such as Bacciter) have been a concern,<sup>69</sup> and in 2018 the availability of fake paracetamol (Biogesic 500 mg tablets) was identified by the Philippines FDA as a growing threat.<sup>70</sup> PSI data indicate that the Philippines

<sup>65</sup> Official correspondence with the Pharmaceutical Security Institute, September 2018.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

<sup>68</sup> Japan Customs, "2017 Seizure Statistics of IPR Border Enforcement", Tokyo, 2018.

<sup>69</sup> U.S. Pharmacopeial Convention, Medicines Quality Database and Poor-Quality Medicines ALERT Terms. Accessed at: <http://apps.usp.org/app/worldwide/medQualityDatabase/reportResults.html?sort=a&country=Cambodia+Lao+PDR+Philippines+Thailand+Viet+Nam&period=2017+2016+2015+2014&conclusion=Fail&testType=Both&count=Both>.

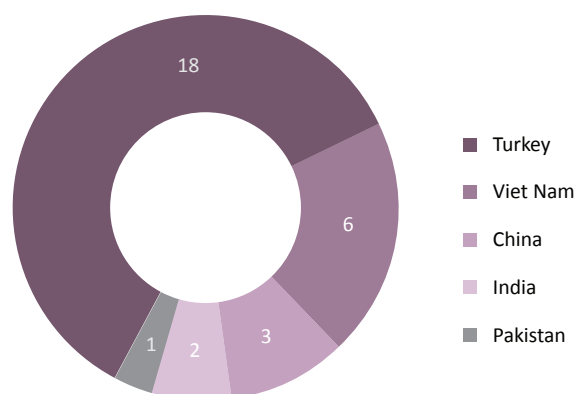
<sup>70</sup> Philippines FDA, "Public Health Warning Against the Purchase and Use of the Verified Counterfeit Drug Product Paracetamol (Biogesic) 500 mg Tablet", Pharmaceutical Advisory No. 2018-081, Republic of the Philippines Food and Drug Administration. Accessed at: <https://www2.fda.gov.ph/index.php/advisories-2/pharmaceutical-2/496183-fda-advisory-no-2018-081>.

was the source in 12 incidents of counterfeit or diverted medicines detected in the United States (5 incidents), Japan (4) and Germany (3).<sup>71</sup>

PSI data for the 2013–2017 period indicate Turkey and Viet Nam as the primary origin for diverted medicines detected in Thailand, accounting for 36 per cent and 12 per cent of all incidents respectively.<sup>72</sup> There are also flows of diverted medicines in both directions between Thailand and Viet Nam, and from Viet Nam to Cambodia. In addition, China remains a prominent source of counterfeit or diverted medicines trafficked overland into Viet Nam and Thailand.<sup>73</sup>

Thailand is also a prominent source and transit country for diverted medicines trafficking to other countries. According to PSI data, twenty different countries detected diverted pharmaceuticals that originated from, transited through or were destined for Thailand, most of which were detected in Japan (19 incidents), followed by the United States (9) and the Philippines (6).<sup>74</sup>

**Figure 11: Top source countries of diverted medicines detected within Thailand and Viet Nam and number of reported incidents, 2013–2017<sup>75</sup>**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

71 Official correspondence with the Pharmaceutical Security Institute, September 2018.

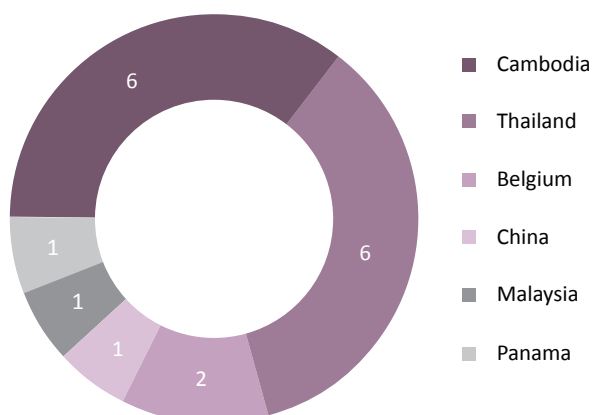
72 Of the 50 incidents that occurred within Thailand, the source country could only be identified in 30 incidents. Official correspondence with the Pharmaceutical Security Institute, September 2018.

73 Official correspondence with the Pharmaceutical Security Institute, September 2018.

74 Ibid.

75 Data refer only to cases for which there was sufficient information to identify a source.

**Figure 12: Top countries that detected counterfeit or diverted medicines sourced from, transited through, or destined for Viet Nam and reported number of incidents, 2013–2017**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

Thailand, along with Taiwan Province of China and Turkey, were identified as the primary origins of diverted medicines detected in Myanmar. Local media reports indicate that legitimate, substandard and fake drugs are often brought into Myanmar via importers who are aware that the drugs are being smuggled into Myanmar illegally.<sup>76</sup> Myanmar media have reported a number of recent incidents that suggest the involvement of organized criminal groups in the fake medicines trade, including in September 2016, when Myanmar authorities dismantled a network of 11 pharmacies and warehouses in Yangon involved in the illicit manufacture and sale of counterfeit and expired pharmaceuticals, and arrested 14 persons and seized roughly US\$ 2.3 million worth of medicines, raw materials and machinery.<sup>77</sup> In 2017, the Myanmar Food and Drug Administration reportedly penalized 75 pharmaceutical manufacturers for distributing illicit medicines.<sup>78</sup> Media reports also indicate that in addition to India and China, Bangladesh has emerged as another important source of illicit medicines found in Myanmar.<sup>79</sup>

76 Frontier Myanmar, “The fight against fake drugs”, 31 March 2017. Accessed at: <https://frontiermyanmar.net/en/the-fight-against-fake-drugs>.

77 Myanmar Times, “Sting nets over \$2 million bogus pharmaceuticals”, 28 September 2016. Accessed at: <https://www.mmtimes.com/national-news/22770-sting-nets-over-2-million-in-bogus-pharmaceuticals.html>.

78 Eleven Myanmar, “FDA penalizes 75 pharmacies over illegal medicine”, 21 March 2017. Accessed at: <http://elevenmyanmar.com/local/8401>.

79 The original source for this data does not specify whether the medicines were falsified, substandard, counterfeit or unregistered/unlicensed, and thus the term ‘illicit’ is used. Frontier Myanmar, “The fight against fake drugs”, 31 March 2017. Accessed at: <https://frontiermyanmar.net/en/the-fight-against-fake-drugs>.



Criminal activities related to drug counterfeiting in Cambodia are reported to have increased in recent years, with a number of unlicensed drug outlets distributing illicit medicines; however, both licensed and unlicensed drug outlets and pharmacy shops may distribute counterfeit drugs either knowingly or unknowingly.<sup>80</sup> Most of the counterfeit medicines detected in Cambodia are in the form of finished formulations, rather than the counterfeiting of bulk drug ingredients. The most commonly found fake medicines detected in Cambodia include cardiovascular and alimentary drugs.<sup>81</sup> Local media reports also indicate the availability of fake diabetes and weight-loss drugs,<sup>82</sup> hazardous skin-whitening creams and knock-off Viagra pills,<sup>83</sup> as well as traditional Chinese medical products.<sup>84</sup> Cambodian anti-counterfeiting officials indicate that a large share of the seized counterfeits are manufactured in Cambodia and are packaged in neighbouring countries, but are passed off as having been imported from France and Japan, according to a local media report.<sup>85</sup>

PSI data show that unlike in other countries in the region which made most of the detections of counterfeit or diverted medicines within their borders, only 15 per cent of incidents linked to Singapore occurred inside the country, highlighting Singapore's role as a source or transit point. Notably, Germany and Belgium were the two most prominent countries that detected medicines sourced from or transited through Singapore.<sup>86</sup>

80 Jakkrit Kuanpoth, "Combatting Counterfeit Drugs: Case Studies of Cambodia, Vietnam, and Thailand", Tilleke & Gibbins, Bangkok, September 2017. Accessed at: [https://www.tilleke.com/sites/default/files/2017\\_Sep\\_Combatting%20Counterfeit%20Drugs%20-%20Case%20Studies%20of%20Cambodia%20Vietnam%20and%20Thailand.pdf](https://www.tilleke.com/sites/default/files/2017_Sep_Combatting%20Counterfeit%20Drugs%20-%20Case%20Studies%20of%20Cambodia%20Vietnam%20and%20Thailand.pdf).

81 Official correspondence with the Pharmaceutical Security Institute, September 2018.

82 Phnom Penh Post, "Government talks tough on counterfeit drugs", 31 July 2015. Accessed at: <https://www.phnompenhpost.com/post-weekend/government-talks-tough-counterfeit-drugs>.

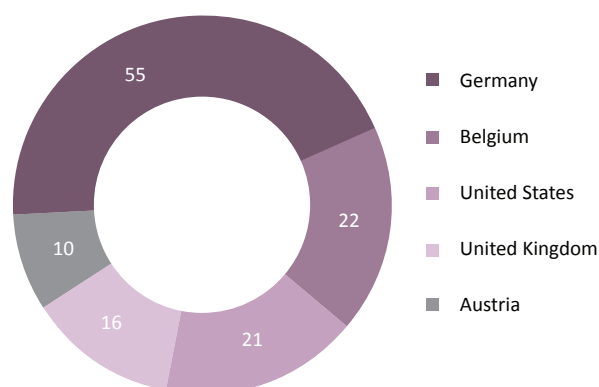
83 Phnom Penh Post, "Government destroys over 80 tonnes of fake products", 04 October 2017. Accessed at: <https://www.phnompenhpost.com/national/government-destroys-over-80-tonnes-fake-products>.

84 Khmer Times, "Harmful Chinese medicine recalled", 31 January 2018. Accessed at: <https://www.khmertimeskh.com/50105203/harmful-chinese-medicine-recalled/>.

85 Khmer Times, "Seized counterfeits mostly made in Cambodia", 04 April 2018. Accessed at: <https://www.khmertimeskh.com/50299275/seized-counterfeits-mostly-made-in-cambodia/>.

86 Official correspondence with the Pharmaceutical Security Institute, September 2018.

**Figure 13: Top countries that detected medicines sourced from or transited through Singapore and number of reported incidents, 2013-2017**



Source: Official correspondence with the Pharmaceutical Security Institute, September 2018.

### Profiles of major trafficking groups and their methods and means

Pharmaceutical crime is primarily the domain of criminals operating through informal networks, of between 3-10 members who are involved in various aspects of the operation,<sup>87</sup> and typically not that of traditionally structured hierarchical groups. Only a small number of well-established criminal groups have been identified as being involved in the trade on a global scale, including large and sophisticated Chinese criminal groups involved in the production and distribution of counterfeit pharmaceuticals, which have penetrated the licit supply chains in countries such as Sweden and the United Kingdom.<sup>88</sup> Some counterfeiting groups are also involved in other criminal activities, in particular falsified drugs and weapons trafficking, as evident both by the methods used and the nature of the products that are seized along the same routes as fraudulent medicines, which sometimes include drugs, firearms and people.<sup>89</sup> Some of these groups are perhaps only involved in pharmaceutical

87 Interpol, "Pharmaceutical Crime and Organized Criminal Groups: An analysis of the involvement of organized criminal groups in pharmaceutical crime since 2008", Interpol Pharmaceutical Crime Sub-Directorate, Lyon, France, July 2014.

88 Europol and OHIM, "2015 Situation Report on Counterfeiting in the European Union", Europol and the Office for Harmonization in the Internal Market, Brussels, April 2015.

89 UNODC, "The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime", Vienna, undated.



crime on a limited scale.<sup>90</sup> However, there are still significant intelligence gaps that prevent a better understanding of the extent of organized criminal activity in pharmaceutical crime.

As with the criminal networks involved in the trade, the supply chains for falsified and other illicit medicines are usually decentralised and globally dispersed. The two primary actors known to produce counterfeit pharmaceuticals are unlicensed manufacturers and licensed manufacturers that produce both legitimate and falsified pharmaceuticals. Specialized subcontractors are recruited to carry out the different stages of the trafficking, including brokers and logisticians, marketers, printers and re-packagers, regional distributors, and others to market medicines via online platforms.<sup>91</sup>

The falsified medicines they produce typically undergo several manufacturing steps in several different countries before being marketed, with production, assembly, and packaging shared among multiple countries. As with the production of other counterfeit goods, many of the individuals involved in this global supply chain are often unaware that what they are doing is violating the law.<sup>92</sup>

Corruption plays a significant role in the illicit trade, as trafficking networks may recruit current or former pharmaceutical company executives and state officials with elaborate information networks and professional knowledge (legal, logistical, administrative) on national and industrial systems to exploit weaknesses to facilitate criminal activity.<sup>93</sup> Some of the falsified medicines manufactured in Southeast Asia involves mainstream companies that cut corners by deliberately diluting products with substitute or cheaper chemicals or by altering the expiration dates on packaging. Others are produced as the result of insufficient mixing, contamination

and degradation, and other simple sloppiness, as evidenced by some samples containing more than the specified dose.<sup>94</sup>

The arrests of a number of healthcare professionals in relation to falsified and illicit medicines in Southeast Asia highlight the role of corruption and organized criminal groups in the trade. In Viet Nam, private drug companies and shipping companies and their executive officers have been implicated in cases of diversion and counterfeiting poor quality medicines and producing fraudulent documents and certifications to distribute medicines through local hospitals, according to a local media report.<sup>95</sup>

During Interpol's Operation Pangea VIII in 2015, Indonesian authorities uncovered an operation where criminals were altering the expiry date or the amount of the active ingredient on packages of counterfeit, expired and unregistered medicines at the warehouse and returning them to pharmacies for sale.<sup>96</sup> Ongoing investigations into the scale of the racket in Indonesia uncovered counterfeits in 37 medical facilities across nine provinces,<sup>97</sup> including counterfeit imported child vaccines for hepatitis B, tetanus, measles and polio. It led to the arrest of more than 20 individuals including three health professionals. Investigations found that multiple criminal organizations had been involved in different stages of the operation for more than a decade, according to a media report.<sup>98</sup> Operation Pangea IX in 2016 resulted in Indonesia's Food and Drug Monitoring Agency seizing more than

90 Interpol, "Pharmaceutical Crime and Organized Criminal Groups: An analysis of the involvement of organized criminal groups in pharmaceutical crime since 2008", Interpol Pharmaceutical Crime Sub-Directorate, Lyon, France, July 2014.

91 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment" UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013; IRACM, "Medicine Falsification in Southeast Asia", International Institute of Research Against Counterfeit Medicines, 01 May 2018. Accessed at: <http://www.iracm.com/en/2018/05/medicine-falsification-south-east-asia/>.

92 UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment" UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

93 UNODC, "The Illicit Trafficking of Counterfeit Goods and Transnational Organized Crime", Vienna, undated.

94 EMHN, "Fake medicines in Asia", EMHN Briefing No. 1, Emerging Markets Health Network, February 2013; UNODC, "Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment" UNODC Regional Office for Southeast Asia and the Pacific, Bangkok, April 2013.

95 Thanhnnien Views, "9 charged in counterfeit cancer drug smuggling case" 15 March 2016, <http://www.thanhnniennews.com/society/9-charged-in-counterfeit-cancer-drug-smuggling-case-60198.html>.

96 Europol, "Europol supports Interpol-coordinated operation targeting organized crime with seizure of 20 million illicit medicines", Europol Press Release, 18 June 2015. Accessed at: <https://www.europol.europa.eu/newsroom/news/europol-supports-interpol-coordinated-operation-targeting-organised-crime-seizure-of-20-million-illicit-medicines>.

97 Katrina Megget, "Almost 40 Indonesian medical facilities procured fake vaccines", Securing Industry, 12 July 2016. Accessed at: [https://www.securindustry.com/pharmaceuticals/almost-40-indonesian-medical-facilities-have-fake-vaccines/s40/a2857/?utm\\_content=buffer38ae&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer#WzNR4NL7TIX](https://www.securindustry.com/pharmaceuticals/almost-40-indonesian-medical-facilities-have-fake-vaccines/s40/a2857/?utm_content=buffer38ae&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer#WzNR4NL7TIX).

98 Sydney Morning Herald, "Anger intensifies over fake vaccine scandal rocking Indonesia", 19 July 2016. Accessed at: <https://www.smh.com.au/world/anger-intensifies-over-fake-vaccine-scandal-rocking-indonesia-20160719-gq8zw9.html>.

a thousand packets of illegal and fake medicines worth around US\$ 4.2 million from 64 factories and drug production facilities across the country. Illicit products were shipped illegally into Indonesia and then distributed through unofficial channels. A total of 214 websites selling illegal products were also targeted for closure.<sup>99</sup> In 2017, authorities raided a residence in Malengkeri, Sulawesi and dismantled an illegal pharmaceutical manufacturing facility, arresting two individuals and seizing 3,200 tramadol pills in July; and police in Labak Regency on Java dismantled another facility in December, seizing two million muscle relaxant tablets commonly abused in the country.<sup>100</sup> A large portion of counterfeit medicines manufactured in Indonesia are marketed domestically, although smugglers are known also to send these illicit products to international markets, including to Saudi Arabia.<sup>101</sup>

### Market size estimate

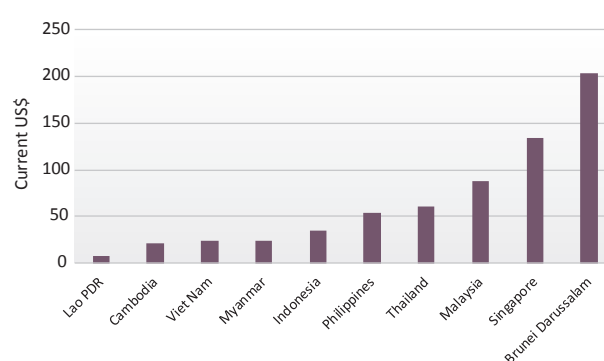
Quantifying the size of the illicit trade in falsified medicines in Southeast Asia is a difficult task. Not only is it a clandestine activity but seizure data is collected by different agencies at different levels of government and may not be aggregated or analysed at the national level. Moreover, there is no consensus on what constitutes a falsified pharmaceutical and the definitions may vary among and even within agencies, as well as between different countries. For example, some data may include traditional medicines and supplements or medical devices such as bandages and prosthetic limbs while other data may not.

In Southeast Asia, some seizure data are available from PSI, WCO and some national agencies; unfortunately, the data are incomplete and only present partial insights into the scale and the scope of the market. However, the seizure data that do exist help to elucidate important trafficking and consumption trends in Southeast Asia. In addition, by also taking into consideration of the legitimate pharmaceutical trade in the region

and by accounting for estimates of the size of the illicit trade of medical products, which according to WHO accounts for some 10 per cent of the global legitimate trade,<sup>102</sup> additional insights can be attained. However, it is important to note that the 1 in 10 estimate of falsified and substandard medical products does not apply equally across all subcategories such as pharmaceuticals, vaccines and diagnostic kits. This ratio/multiplier is also likely to differ considerably within different therapeutic categories and countries. Nevertheless, in the absence of accurate data, these estimates are used as an indication of the scale of the problem in low- and middle-income countries.

Based on available data, it is estimated that consumers in Southeast Asia spent about US\$ 26 billion<sup>103</sup> to purchase pharmaceuticals in 2015. If based simply on the conservative assumption that some 10 per cent of the overall pharmaceuticals market in Southeast Asia is illicit, then that would yield some US\$ 2.6 billion per year in illicit revenues.

**Figure 14: Estimated per capita expenditure on pharmaceuticals in Southeast Asia in 2015 by country**



Note: Data were obtained by converting figures reported in GDP per capita in PPP into GDP per capita in current price. Data for 2014 were used for Brunei Darussalam, Indonesia and Malaysia. Thailand data was estimated based on 28 per cent of the total health expenditure in 2015 was for pharmaceuticals.

Sources: WHO and OECD, "How Pharmaceutical Systems are Organized in Asia and the Pacific", December 2018; WHO, "Health at a Glance: Asia/Pacific", Accessed at [https://www.oecd-ilibrary.org/social-issues-migration-health/health-at-a-glance-asia-pacific-2018/pharmaceutical-expenditure-per-capita-2015\\_health\\_glance\\_ap-2018-graph122-en](https://www.oecd-ilibrary.org/social-issues-migration-health/health-at-a-glance-asia-pacific-2018/pharmaceutical-expenditure-per-capita-2015_health_glance_ap-2018-graph122-en); Business Monitor International (BMI) for Thailand 2013-2017.

99 The original source refers to the medicines as 'illegal and fake' and does not specify whether the medicines were falsified, substandard, counterfeit or unregistered/unlicensed. IRACM, "Pangea IX: In Indonesia, seizure of illegal and fake medicines worth around \$4.2 million", International Institute of Research Against Counterfeit Medicines, 07 July 2016. Accessed at: <http://www.iracm.com/en/category/seizures-map-en/indonesia-seizures/>.

100 Official correspondence with the Pharmaceutical Security Institute, September 2018.

101 World Customs Organization, "2016 Illicit Trade Report", Brussels, November 2017.

102 WHO, "WHO urges governments to take action", News Release, Geneva, 28 November 2017. Accessed at: <http://www.who.int/news-room/detail/28-11-2017-1-in-10-medical-products-in-developing-countries-is-substandard-or-falsified>.

103 An extrapolation based on the per capita expenditures multiplied by the national populations in 2015.

Data from a 2014 OECD Task Force on Charting Illicit Trade (TF-CIT) study, which looked at more than 100 countries on five continents, indicated that the total amount of revenue generated by criminal organizations from illicit medicines trafficking was US\$ 47.6 billion. This study assumed a 11-12 per cent rate of illicit medicines as a portion of the overall local drug market in Asia, indicating that criminal organizations generated US\$ 13 billion in Asia, including US\$ 4 billion in China, US\$ 2 billion in the Philippines, US\$ 1.5 billion in the Republic of Korea and US\$ 800 million in India. These figures also align roughly with data provided by PSI, which indicate that nearly 22 per cent of global pharmaceutical counterfeiting and diversion incidents in 2017 occurred in Asia, with 3.6 per cent of the total having taken place in Southeast Asia.

According to data from the United States Pharmacopeia (USP), out of 459 pharmaceuticals samples tested which were collected from Viet Nam between 2013 and 2017, about two per cent of the total (9 samples) did not pass chemical assay analysis.<sup>104</sup> Another recent study also showed similar results to the USP data. Out of 869 pharmaceuticals collected from seven countries in Africa and Asia in 2015 that were tested, 21 samples were either falsified or substandard products, representing 2.4 per cent of the total.<sup>105</sup> If two per cent of all pharmaceutical products available in Southeast Asia were fraudulent in 2015, this represents about 520 million US\$ in fraudulent expenditure in that year. In sum, the amount spent by consumers in Southeast Asia for fraudulent medicines at an annual level is estimated to range between US\$ 520 million and US\$ 2.6 billion.

## Looking ahead

Transnational organized criminal groups will continue to exploit weaknesses in supply chains to match supply with demand for cheaper medicines, allowing falsified, substandard, and unapproved medical products to flourish in supply chains and local markets, posing threats to patients, health systems, and programs that rely on receiving lifesaving or therapeutic products.

<sup>104</sup> It should be noted that the USP data also present some limitations, both in terms of samples and therapeutic categories covered.

<sup>105</sup> Petersen et al. "Surveillance for falsified and substandard medicines in Africa and Asia by local organizations using the low-cost GPHF Minilab", September 2017.

E-commerce will facilitate specific segments of this trade and will almost surely increase the range and scale of fake medicines available online. Responses such as the government of India's initiative to tighten regulations to register online pharmacies and restrict them from selling illicit drugs and medicines, and new EU requirements and penalties for offenders and other counter-trafficking measures, will have an unclear impact and may simply divert criminal groups to other countries, including those in Southeast Asia.

The priority of ASEAN to expand the region's legitimate pharmaceutical and chemical manufacturing capacity, and Singapore's development as a global pharmaceutical ecosystem or 'Biopolis of Asia' and its role as a gateway to potential high-growth markets such as Indonesia, Malaysia and the Philippines as well as to China and India, will boost the legitimate trade in pharmaceuticals. This is likely also to have an impact on the illicit trade in falsified medicines.

## Policy options and responding

The threats to public health caused by falsified medicines require a stronger and more coordinated response at the international level to effectively detect and combat the introduction of fraudulent medicines along the global supply chains.

Cross-border cooperation should be strengthened to systematically gather data and information and to enhance timely information-sharing and collaborative action on the quality of suspected falsified and substandard medicines among regulators and partners in the region, and beyond, to facilitate enforcement actions. In addition, FTZs in Southeast Asia need to be opened up and made more accessible and transparent. The latest technology also needs to be used to detect and intercept illicit medicines.

All countries in the region have legal provisions in place, but some laws are outdated and need to be revised if they are to remain applicable to the increasingly complex nature of pharmaceutical markets and pharmaceutical crimes. In Thailand, for example, the 1967 Narcotics Act was revised several times to introduce measures for 'falsified medicines and non-compliant medicines' and tougher deterrents for traffickers. Legislation

in Cambodia has been amended to introduce more efficient deterrents. For instance, the 2007 amendment to the former Law on the Management of Pharmaceuticals (1996) provides for various levels of sanctions for different pharmaceutical regulatory infringements, from unlicensed purchases of raw materials, to manufacturing and selling illegal products. More effort to introduce new or revise existing legislation is needed to prevent all offences related to falsified medicines, such as smuggling, money-laundering and corruption as well as the confiscation and disposal of criminal assets, extradition and mutual legal assistance, to ensure that no stage in the supply chain of falsified medicines is overlooked.





## **Conclusions and Responding**







## Conclusions and Responding

Southeast Asia, surrounded by other major markets for illicit activities, including East Asia, South Asia, and Oceania, is particularly vulnerable to the reach and influence of organized crime groups. The region now plays a major role in the regional and global trade in synthetic drugs and in particular methamphetamine, heroin, people, wildlife, timber and counterfeit goods and medicines.

Displacement of organized crime groups from neighbouring countries and regions has coincided with a significant shift in the regional drug market marked by a massive expansion of methamphetamine, particularly emanating from northern Myanmar, with trafficking networks shipping the supply across Southeast Asia and to more distant and lucrative markets. At the same time, the amount of precursor chemicals seized remains very limited when compared with the volumes of illicit drugs being produced and trafficked within and from the region.

Uneven economic development and the demand for cheap labour are enabling organized crime groups to traffic and smuggle large numbers of people within the region. Environmental crimes in Southeast Asia illustrate the global reach of organized criminal groups and the transnational nature of illicit supply chains, and the region continues to play a key role in the transportation of high value, highly endangered and illegally sourced wildlife and timber for the regional market but also for other parts of Asia and global markets. And organized crime groups also appear to be

increasingly targeting Southeast Asia as a hub in the global supply chains of various fake goods, especially illicit tobacco products, and they are using the region to manufacture, repackage and distribute falsified medicines.

Organized crime groups in Southeast Asia now wield unprecedented influence and control multibillion-dollar 'industries'. While transnational organized crime syndicates use their financial muscle to further corrupt and undermine the rule of law, they are also destroying the lives of countless people in Southeast Asia. Aside from the direct effects – including drug use, sexual exploitation, and environmental damage – organized crime groups in Southeast Asia launder considerable amounts of money through lightly or unregulated cash based industries like casinos. As a result, transnational criminal groups now represent a primary threat to the public security, health and sustainable development of the region.

The following recommendations are intended to help address findings and observations of this assessment, and ultimately to strengthen the capacity of governments and organizations in the region such as ASEAN to more effectively understand, monitor, prevent and respond to transnational organized crime challenges impacting Southeast Asia.

More specific recommendations are included in each of the thematic chapters of this report.

## Strategy and legislation

### Development of a comprehensive and functional strategy to address transnational crime

There is some political will within Southeast Asia to address transnational organized crime challenges. This is apparent through ratification of the United Nations Convention against Transnational Organized Crime (UNTOC) and engagement with multilateral mechanisms for dialogue and cooperation, including the ASEAN Senior Officials Meeting on Transnational Crime (SOMTC) and the Ministerial Meeting on Transnational Crime (AMMTC), the ASEAN Senior Officials on Drug Matters (ASOD) and Ministerial Meeting on Drug Matters (AMMDM), as well as the Mekong MOU on Drug Control. These mechanisms allow countries in the region to meet and discuss major transnational crime challenges, and in the case of the Mekong MOU on Drug Control there is an attached action plan agreed at ministerial level. However, there remain significant limitations due to the absence of a comprehensive regional strategy for transnational crime writ large.

The findings of this report confirm that attempts to address transnational organized crime challenges in the region have not been successful, or have had limited impact, and conditions in the region have been, and continue to be, favourable for expansion. As a result, there is a vital need to establish an overall strategy at the regional level, and to review and develop connected strategies at individual national levels, to ensure mechanisms for cooperation are able to be utilized beyond being venues for discussion. The next step for the region is to turn the recognition of the problem of transnational crime into a strategy or strategies, with associated plans containing tangible actions and results.

The report highlights the interplay between ‘demand’ and ‘supply’ for illicit commodities and the role of organized crime groups to manipulate one with the other. Whether the illicit product is drugs or precursors, migrant smuggling services, wildlife, or counterfeit medicines, demand will typically be met by profit-driven organized crime groups. It is important that countries in the region not recognize transnational organized crime solely as a law enforcement matter, and that any strategy or strategies incorporate measures to address ‘demand’ for illicit commodities and services.

Due to the substantial illicit revenues being generated by organized crime groups, there is also a clear need to integrate anti-money laundering efforts with other efforts to address transnational crime. In particular, there is a significant risk that illicit proceeds are being laundered through the growing number of casinos, and the region would benefit from establishing a framework to better monitor and regulate the region’s casino industry.

## Research and data

### Strengthening national and regional data collection capacity and reporting

The ability to develop, collect, manage, analyse and share data related to cross-border illicit activity is important for identifying, understanding and countering transnational security and crime challenges. The lack of comprehensive data in the Southeast Asia region continues to be a problem, and it has limited the ability to assess the size of some illicit commodity markets discussed in the report. Improving the capacity to collect, analyse and share data would help to identify key trends and concerns, and provide the foundation for developing evidence-based interventions at national, regional and inter-regional levels.

At present, some findings are based on individual cases instead of data collected systematically in-line with international standards and norms. In addition, data related to the ‘demand’ for illicit drugs remain significantly limited across the region. Improved collection techniques and capacities would aid in building a stronger knowledge base and filling in current gaps, and would help Southeast Asia set priorities to address transnational criminal flows and their destabilising influence in the region.

### Capacity building and cross-border cooperation

#### Minimise disparities in capacity gaps and improve cross-border cooperation

Southeast Asia’s array of ethnic groups, linguistic, cultural and religious differences, and the region’s geographical characteristics of vast archipelagos and remote mountainous terrains all present unique governance challenges. Moreover, the region consists of developed, developing and

least-developed countries which impedes the progress towards a common regional market, but also has strongly influenced the patterns of organized crime flows in the region. With different countries having varying capacities and resolve for monitoring and responding to transnational crime threats, organized criminal groups have been able to concentrate their operations in locations favourable to do business, typically those with lower capacity to implement and enforce robust countermeasures.

Addressing these disparities requires more effective border management and cross-border cooperation among law enforcement and other relevant agencies. It is important that steps are taken to integrate national responses into regional and inter-regional strategies, especially at land and maritime borders, seaports and airports. Establishing and deepening productive cross-border relationships is a necessary step in this direction, and countries should maximise use of existing mechanisms like border liaison offices where they exist, and set them up where they are not in-place, particularly in areas vulnerable to exploitation by organized crime.

A greater degree of cross-border intelligence collection and exchange between and among ASEAN member states is also necessary. It is important that countries take steps to increase collaborative intelligence gathering, law enforcement operations and criminal justice responses. This should also include initiatives to support regional networks of law enforcement officials and financial intelligence units, and strengthened use of mutual legal assistance.









# UNODC

United Nations Office on Drugs and Crime

**Regional Office for Southeast Asia and the Pacific**

United Nations Building, 3<sup>rd</sup> floor B Block, Secretariat Building, Raj Damnern Nok Avenue, Bangkok 10200, Thailand  
Tel. (66-2) 288-2100 Fax. (66-2) 281-2129 E-mail: [unodc-thailandfieldoffice@un.org](mailto:unodc-thailandfieldoffice@un.org)

Website: <http://www.unodc.org/southeastasiaandpacific>

 Twitter: @UNODC\_SEAP