

Narcotics and China: An Old Security Threat from New Sources

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ABSTRACT

Narcotic threats to China have changed in form and structure and most visibly geographically, from being primarily a problem from Southeast Asia (Golden Triangle), with imports from Laos and Burma (Myanmar), to a more multifaceted threat. The origin of the world's largest exporter of heroin is today Eurasia, more specifically, Afghanistan, while other products are domestic in origin. This will not only create a need for greater diversion of China's police, customs officials and military polices to meet the challenge, it will also create common interests between some of the major transit and consumer states in Eurasia, such as Iran, European Union (EU) and Russia, all of whom suffer from narcotics transit and sales. The traditional assumption of Southeast Asia as the only point of origin for narcotics trafficked into China is not longer true. This is a major concern as the Chinese law enforcement agencies still have too strong a focus on the border areas of Burma and leaves many regions open for smuggling.

Keywords • China • narcotics • drug routes • Afghanistan • Central Asia • Southeast Asia

In today's environment, internal conflicts and external military threats are no longer the only national security challenges facing nation-states. "Soft" security threats have come to dominate current affairs as well. However, this transformation has not been acknowledged by policy institutions in all states to an appropriate degree.¹ The changes have not only transformed threats from those in the military sector to threats of economic, environmental and societal security; security threats of a transnational nature that involves more than one single state, such as environmental or economic security have also emerged. To name a few, the list of soft security threats range from environmental, societal, economic, among which, the threat from the narcotics trade is

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¹ Steve Smith, "Singing Our World into Existence: International Relations Theory and September 11," *International Studies Quarterly* 48, 3 (2004): 504-507.

increasingly proving itself to be an extremely serious one. Transnational drug trafficking threatens to throw many states into deep trouble. In extreme cases the drug trade has the potential to exercise full control over state functions, through the creation of so called narco-states. The complexity of the narcotics trade involves not only the more serious aspects of trans-regional security threats posed by transit routes and criminal gangs operating over national borders, it also presents the worst scenarios for national threats namely, social and economic degradation and possible political co-option. The scale of the threat that the narcotics industry poses is devastating in many states, especially in Central Asia, and unless the narcotics trade is eradicated or minimized, there is little potential for sustainable socio-economic development that would benefit the general population.

China's Drug Problem

The narcotics problem in China is age-old and peaked during the Opium Wars, when China fought against the British over the sale of opium to its population, or at least for the control of the financial revenues of the sales. In 1931, China's narcotics dependency (primarily opium) peaked with approximately 20 percent of the Chinese population involved in opiate consumption. It is estimated that during the time, 90 percent (72 million) of China's addicts used opium and the rest (10 million) used morphine or heroin.² Opium was, at the time, primarily provided by the British although the trade eventually diversified to incorporate Japanese, American, and Southeast Asian traders by the end of the Second World War. This diversification of drug traders was accompanied by a greater diversity of narcotic substances. When the Communist regime came to power under Mao Zedong, the usage of narcotics was almost abolished, despite active involvement in the trade during the civil war. The simultaneous prescription of some heavy-handed measures in the form of punishments, executions and effective closure of borders from the 1950's onward resulted in China's status as a "clean" patient according to international standards by the 1970s. Abuse of narcotic substances was seen as a bourgeois, western problem, an attitude, which, during the period of Mao, prevented China from acting quickly and effectively in drug prevention.

The situation in regards to the narcotics problem has changed dramatically over the last two decades. Change began in the 1980's, with China's policy of Reform and Opening, and has continued over the last few years as the narcotics trade has once more emerged as one of the

² Kathryn Meyer and Terry Parssinen, *Webs of Smoke* (Lanham: Rowman & Littlefield Publishers, 1998), 3.

greatest threats to China's internal stability and external relations.³ Abuse of narcotics has spread to all regions of China and affects all different social groups. The China of today is facing its worst drug problem since 1931, and the number of addicts registered at the public security organs have increased dramatically to more than a million registered users in 2003 from 560 000 in 1995.⁴ If this number can be trusted, it is not a high percentage of the Chinese population. However, the current figure is most likely to be a result of under-estimation. There are unofficial estimates that indicate as many as 10-12 million users in China, even so, these are still considered relatively moderate figures and the true figures could be significantly higher.⁵ There is the risk of a tremendous increase in substance abuse with the introduction of new forms of drugs in China and the decreasing prices of methamphetamine and other newly introduced substances. The situation in China is therefore increasingly troubling. An increase in drug abuse within China and the potential involvement of other states in the Chinese narcotics trade indicate internal and external tensions that exist based on social, economic and trans-national factors.

The narcotics threats have changed in form and structure and most visibly geographically, from being primarily a problem from Southeast Asia (Golden Triangle), with imports from Laos and Burma (Myanmar), to a more multifaceted threat. The origin of the world's largest exporter of heroin is today Eurasia, more specifically Afghanistan, while other products are domestic in origin. This will not only create a need for greater diversion of China's police, customs officials and military polices to meet the challenge, it will also create common interests between some of the major transit and consumer states in Eurasia, such as Iran, European Union (EU) and Russia, all of whom suffer from narcotics transit and sales. The traditional assumption of Southeast Asia as the only point of origin for narcotics trafficked into China is not longer true. This is a major concern as the Chinese law enforcement agencies still have a too strong focus on the border areas of Burma and leaves many regions open for smuggling.

Afghanistan is the most important actor of the narcotics trade today, producing 86 percent of the world's heroin and cultivating 67 percent of the world's opium. In 2004, Afghanistan produced 4850 metric tons of

³ Anh-Thu Phan, "China's drug nightmare," *South China Morning Post*, October 18 2003.

⁴ White Papers of the Chinese Government [中国政府白皮书], *Narcotics Control in China*, 2003 [中国的禁毒], 146; Ting Chang [延长], *China Always Says "No" to Narcotics* [中国对毒品永远说"不"] (Beijing: Foreign Languages Press, 2004), 20.

⁵ Interviews with drug enforcement personnel, security forces and police in China 2004-2005.

opium, dwarfing Burma which only produced 370 metric tons of opium.⁶ The transit trade to Northeast Asia, Australia and the U.S. that Chinese criminal organizations have traditionally operated can no longer be serviced by imports from Burma. As a result of decreased production, prices in Southeast Asia have increased to \$218-234 per kilo compared to \$92 per kilo in Afghanistan.⁷ Burmese prices have increased by 80 percent since 2003, while Afghan prices have dropped by 69 percent due to excess in opium production. The financial benefits and the decreasing availability of opium and heroin supply in Southeast Asia proved to be an incentive for shifting imports to Afghanistan,

Central Asia is increasingly used as a transit route for heroin and opium at the expense of Southeast Asia into China.⁸ The Chinese government does not appear to be aware of the changes in trafficking patterns. Many in the Chinese drug enforcement agencies continue to regard the Golden Triangle as the primary production site, oblivious to the growing problem from Afghanistan and Central Asia. It is evident that China's main problem continues to come from Southeast Asia, but this is rapidly changing. The failure to recognize such new trends will inevitably create new problems in the fight against narcotics trafficking in China.

The Chinese government has repeatedly indicated that it views the international narcotics trade as one of its most pressing trans-national threats. However, many other questions seem to be more pressing for the Chinese government, especially at the local level, such as corruption, economic development and social stability. While China has actively sought to address the narcotic problem, it remains to be seen whether this effort would be successful in decreasing the trafficking and consumption of narcotics in the country. This article will primarily deal with the changed structure of the narcotics threat in China and the origin of the scourge. It will point out the changed pattern of transit, production, consumption, effects, and what has and could be done to deal with the problem.

Effects on China

The effects of the narcotics threat on China have been direct and in many cases devastating, even though the true extent of damage largely remains unknown. Information about the impact of the drug trade is sketchy and the real impact on the economy has to a large degree been "guestimates"

⁶ United Nations Office on Drugs and Crime, *2005 World Drug Report* (New York: UNODC, 2005), 10, 191.

⁷ *2005 World Drug Report*, 10.

⁸ Niklas Swanström, "Central Asia: A Transit Region for Drugs," *Asia Times*, August 29 2003.

and the full extent is unknown. Despite these shortcomings, the impact of the narco business is very much visible and can in a few cases be expressed in numbers.

When estimating the impact, it is crucial to know that heroin is used by 71.5 percent of China's one million registered users.⁹ This effectively defines heroin as the drug of preference in China, but this figure is in all likelihood misleading. Doubtless, heroin is the most popular narcotic in China; however, the increased use of ecstasy and amphetamines in large cities and coastal areas has not been registered in the statistics. The statistics only reflect those caught by the police. Heroin users' health often deteriorate faster and they are probably more often recognised by the authorities while the usage of "party" drugs, like ecstasy, kefamine and ice, can be hidden longer.¹⁰ "Party" drugs are also more prominent in wealthy circles and less connected to heavy criminality. According to Chinese officials, kefamine is as popular as heroin was 20 years ago, especially among the younger generation and there is a risk that kefamine will be as popular as heroin is without decreasing the number of heroin users.¹¹

Few arguments contradict the belief that the million registered users represented in China's statistics is a gross underestimation. Indeed, many in China estimate the true figure to be far higher with some even arguing it to be 12 times higher. Even this figure is probably a severe underestimate, especially since Chinese officials state that the use of party drugs and marijuana is severely underestimated. According to official Chinese statistics in 2005, 70 percent of registered narcotics users are under the age of 35.¹² Given that the use of party drugs and marijuana is prevalent among younger people, it is likely that these are the drugs least represented in Chinese statistics. Thus, it may be assumed that these statistics are misleading and that the users are in reality younger and more than estimated. The age factor points to the rapid growth in the number of users over the last few years, and indicate a future problem of narcotics abuse in tomorrow's working population. Social problems related to narcotics abuse are on the rise in China, especially in traditional regions of consumption in southern China, especially Yunnan, and in the western province of Xinjiang. Social exclusion of narcotics abusers is common and many suffer from the social stigma of

⁹ *Narcotics Control in China*, 2003, 146.

¹⁰ In interviews with medical staff and police in China 2004-2005 it was recognized that the statistics gives a slightly skewed picture even if heroin is by far the most dangerous drug.

¹¹ Martin Wong, "Kefamine 'is new generations heroin' Addiction levels are rising, warns narcotics chief," *South China Morning Post*, July 23 2004.

¹² "Chinese mass media mobilized for "people's war" on drugs," *Xinhua News Agency*, May 18 2005.

being branded as an addict. Users are often forced to sustain their habit through criminal activity. Chinese statistics claim that approximately 80 percent of funds that sustain drug use are earned through illegal activities such as prostitution, burglary, extortion, smuggling etc. Once an individual enters the criminal element, it is difficult to return to legal forms of employment.¹³ The stigmatization of addicts and the high degree of criminalization of the users have effectively created a criminal sub-culture in China that is increasingly difficult to deal with.

The negative economic consequences of narco trafficking, production and consumption are great for China. The Chinese economy is not dominated by narco trafficking, but the illegal economy competes with the legal economy. In certain regions of Yunnan and Xinjiang the narco business is one of, if not the most, important component of the local economy. The International Monetary Fund (IMF) estimates that money made through transnational crime world-wide constitutes between \$500 billion and \$1.5 trillion – equivalent to 1.5-4.5 percent of the world's gross world product – and this illegal money is washed through the international banking system via money laundering schemes.¹⁴ It cannot be assumed that the Chinese economy has less problems than the international average, as it has been and continues to be a transit route for Southeast Asian opium and recently for Afghanistan heroin. In fact, the economic consequences are probably more devastating. Currently, 9 percent of the police force in China is preoccupied with the narco problem and this is a tremendous strain of resources for the Chinese government. The U.S. State Department claims that the narco business in China was worth at least 24 billion in 2005.¹⁵ Money laundering and criminalization of legal assets through investment of illegal assets in the legal economy is an increasing problem for China. The Governor of People's Bank of China, Mr Zhou Xiaochuan, has pointed out the need for better anti-money laundering measures in China, especially in regard

¹³ Josephine Ma, "Drug abuse threatens public orders, says narcotics bureau 80 pc of the heroin produced in the Golden Triangle is destined for addicts on the mainland," *South China Morning Post*, March 2 2004.

¹⁴ Tony Kellett, "Transnational Organized Crime: The Next Big Threat?" DND Policy Group, December 23 2002, <www.dnd.ca/admpol/eng/doc/strat_2001/sa01_26_e.htm> (February 1 2006); UNODC, *Global Program Against Money Laundering*, <www.unodc.org/unodc/en/money_laundering.html> (October 20 2005). The assessments are incomplete and if the refinements have improved or if the smugglers are more effective than I have estimated, which is highly likely, the value of the narcotics trade will sky rocket (interviews in China, Central Asia and Iran during 2004-2005). However, it has been argued that the estimates are political tools created to stir up the public and more seriously that the methodology to make the calculations is seriously flawed or even absent which makes any calculation of the value of the narcotics trade useless.

¹⁵ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report -2005*.

to the criminal networks that deal with narcotics.¹⁶ Macau, Fujian and Dalian are examples of cities that have been identified to have severe problems with criminal activity.¹⁷ Criminal activities such as money laundering, investment of narcotics money in legal assets, prostitution have increased rapidly in the footsteps of the establishment of the criminal organizations engaged in narcotics trade.

The low level of medical assistance to users and possibilities of rehabilitation are problematic as well and so is the growing cost of rehabilitation. There are some very successful cases of rehabilitation of the users, but the majority have neither access to these programs, nor would they like to admit their drug use by becoming participants. It is also estimated that 90 percent of people who underwent rehabilitation relapse.¹⁸ It would be financially prohibitive for China, especially in the poorer regions that have the largest narco problems to engage in large programs as it would exhaust local economies. Countering the narcotics problem requires large educational programs in schools, businesses, public places and broader rehabilitation programs. This is in no way a problem that is confined to China, the United States and Europe also suffer from a similar lack of resources. In the Chinese case however, this may further eat into limited resources that are needed in other social drug preventing programs such as education about drug abuse. The increasing number of un-productive individuals in China's population create problems as the narcotics abuse is found predominantly among the younger generation. However, it should be noted that the problem is far from the tragedy that Russia presently is experiencing. The situation in China is still manageable for the authorities. There are very few medical and social safety nets available and China has yet to develop a social security system that could accommodate the coming increase of abusers.

HIV/AIDS has emerged as one of the primary problems related to the narco-business in China. The Chinese government officially claims that in 2005, 840 000 people were infected by HIV and many through intravenous drug use and some 80 000 have developed AIDS. This is an improvement in transparency over the figures from early 2003 that limited the number to 40 000; still the true figures are likely to be much higher. There are estimates that the real number would rise to between 10-15 million by 2010 unless the Chinese government adopts stronger

¹⁶ "Anti-Money Laundering in China: The Status Quo and Prospects," Speech of Mr. Zhou Xiaochuan, Governor of the People's Bank of China at the first meeting of the Ministerial Joint Conference on AML, August 27 2004, Beijing, China.

¹⁷ *International Narcotics Control Strategy Report -2005*. This is confirmed by interviews with senior officials in China 2004-2005.

¹⁸ Shi Jintao, "Drug Crackdown Targets Guangdong: Campaign will Focus on Seven Main Trafficking Routes and 10 Counties Notorious for Narcotics Abuse," *South China Morning Post*, July 30 2004.

prevention measures.¹⁹ One of the reasons for the rapid growth is the close association between prostitution, narcotics abuse and the “floating” population (流动人口).²⁰ The Chinese government has estimated that 80 percent of female addicts are engaged in prostitution, and they spread the virus outside of the ordinary circles of narcotics abusers.²¹ Another problem is that needle-sharing is very common in the border areas of Burma and Central Asia. The speed of the epidemic of HIV/AIDS in different groups is hard to determine, but the predicted explosion of HIV/AIDS is directly associated with narcotics, the very young user population, sexual transmission and the spread to non-intravenous groups.

The Chinese government has taken a strong stand against the sale and production of narcotics, especially in traditionally strong trafficking areas in the south and southwest of China.²² According to the United Nations Office on Drugs and Crime’s 2004 World Drug Report this stand has resulted in China’s status as the fourth largest state seizer of heroin (9,291 kg), seventh largest of opium (1,219 kg), seventh largest of ecstasy (300 kg) and second largest of amphetamines (3,190 kg).²³ Between May and November 2004, the Chinese authorities claimed that they had arrested 34 719 suspects and 2186 criminal gangs involved in the narcotics trade. This led to the seizure of 6.66 tons of heroin, 1.14 tons of ice and methamphetamine, 1.42 tons of marijuana, 62 tons of precursors and 159.46 million yuan.²⁴ The bulk of heroin seizures originates in Burma, while ecstasy and amphetamines are to a large extent domestically produced. Excluding marijuana, there are relatively few seizures in northeast and western China, which could indicate a lower level of narcotics abuse in these regions. However, lower prices and an increasing number of users clearly indicate new inroads by smugglers to these areas. The border area with Burma is much more secured today and the Chinese initiatives against the trade in this area have been effective. To this success, several strong local initiatives have been added; some

¹⁹ Ed Lanfranco, “U.S. and China cooperating on HIV/AIDS,” *United Press International*, June 9 2005; Andrew Thompson, “HIV/AIDS Epidemic in China Spreads into the General Population,” *Population Reference Bureau* (April 2003); Andrew Thompson, “International Security Challenges Posed by HIV/AIDS: Implications for China,” *China: An International Journal* 2, 2 (2004).

²⁰ The floating population consist of the between 120-130 million unemployed population that travels through China in search of work. Drew Thompson, “HIV/AIDS Epidemic in China Spreads Into the General Population.”

²¹ Ma, “Drug Abuse Threatens Public Orders.”

²² Chang, *China Always Says “No” to Narcotics; Narcotics Control in China*, 2003.

²³ United Nations Office of Drugs and Crime, *2004 World Drug Report* (New York: United Nations, 2004), 76, 77, 167, 173.

²⁴ “Chinese Police Seizes 11.1 Tons of Drugs in Campaign of 2004,” *Xinhua News Agency*, January 24 2005; “Burma Sends Back Captured Drug Boss,” *China Daily*, January 25 2005.

regions have almost become drug free due to intense local initiatives.²⁵ The seizures and initiatives are, however, localized around southern China and the traditional routes. Chinese authorities have been less successful in responding to potential domestic, Central Asian and Northeast Asian sources of narcotics.

New and Old Transit Routes

This change in production patterns has had a tremendous impact on both consumer and transit states in the region. It is well known that criminal networks focus on transit routes where the states are in direct complicity with the criminals, destabilized by internal conflicts or corrupt.²⁶ In cases where states, or regions, address the threats from the narcotics industry, there is a rapid increase of transaction costs and a decrease of profit for criminal organizations. In the case of China, it has sealed its formerly porous border against Burma which has led to an increase in costs for traffickers. The profitability of the criminal networks has decreased significantly in the border areas between China and Burma leading to a rapid increase of heroin prices in the area. Thus, shifts in production are a blessing for Chinese criminal networks, as well as for Russian and European networks. The Chinese networks have now opened up trade on several other fronts, and increased or initiated domestic production. China's western border does not have the same degree of protection as its southern border as it is not seen as a threatening problem and is, therefore, easier to penetrate. The diversification of the transit routes for narcotics will be problematic for the Chinese drug enforcement authorities as they will have to address more than one possible region of penetration and attend to a geographically larger area.

Declining Importance of the South

It is reported that the importance of heroin production in the Golden Triangle is declining rapidly and that the closure of Chinese borders with Burma has made continued narcotics trade commercially unviable.²⁷ As a result, Burma and Laos heroin production declined by 23 and 43 percent respectively in 2005 compared to 2004.²⁸ Nevertheless, Burma and Laos are still the two single most important sources of heroin for China, but the networks that have traditionally controlled trade in this region have

²⁵ "Targeting Pawns Proves Success in Anti-Drug Fight," *China Daily*, January 11 2005.

²⁶ Niklas Swanström, "Multilateralism and Narcotics control in Central Asia," *CEF Quarterly* (February 2005); Niklas Swanström, "Organized Crime in Central Asia: its Impact on Europe," *Jane's Homeland Security and Resilience Monitor* 3, 3 (April 2004).

²⁷ Prasong Charasdamrong and Surath Jinakul, "Help from the neighbors," *Bangkok Post*, July 13 2003.

²⁸ *2004 World Drug Report*, 10.

expanded their operations to other lucrative locations. However, their operational bases are still in Yunnan and other provinces close to Southeast Asian production sites. Chinese authorities claim that up to 95 percent of the heroin consumed in China comes from the Golden Triangle, a figure that is hard to believe given the sharp decline of opium and heroin production in Burma and Laos and the rapid increase of users in China.²⁹ If domestic consumption and the Chinese criminal organizations external business increases, then heroin and opium supply from other regions would have to draw on to cater to the growing demand.

In 2003, it was estimated that 80 percent of the heroin from the Golden Triangle (70-80 tons) entered China, for consumption or transit.³⁰ This official figure is too low to account for both transit and consumption in China and, as noted above, the production in the Golden Triangle has further declined since 2003. However, China is the most important transit route for heroin and opium from Southeast Asia since Thailand has effectively dealt with this problem and the narcotics users have shifted to other forms of narcotic substances due to the relative lack of heroin on the market.

According to Chinese authorities, the transit trade traditionally uses Guangdong, via Yunnan as the main channel for Burmese heroin.³¹ Although transit channels through, for example, Fujian have also been crucial to traders. The main focus of the Chinese police has as a consequence been limited to these areas.³² Heroin exported to the U.S. and Japan have taken this route since the early 1980's and it is assumed that these routes are still the most important. Consequently, law enforcement goals include attempts to curb trafficking in these traditional areas resulting in lesser resources allocated to combat the problem in other regions of China and against internal production. With decreased heroin production, the importance of Burma as the primary provider of heroin has been questioned, but this does not negate the significance of the Golden Triangle in the short run. The loss of heroin in Burma is made up by increased methamphetamine production in Burma, production that is primarily consumed and transited through China and Thailand.³³ This new merchandise could sustain the significance of Burma as one of the main providers of narcotics to Chinese criminal organizations in China.

Evidence of the traditional importance of Burma as the main provider of heroin to China is visible through an examination of the HIV/AIDS

²⁹ "Burma Sends Back Captured Drug Boss," *China Daily*, January 25 2005.

³⁰ Ma, "Drug Abuse Threatens Public Orders."

³¹ "China Seizes 12 tons of Drugs in Past Five Years," *Xinhua News Agency*, August 3 2004.

³² "Crackdown Targets Drug Users, Dealers," *China Daily*, August 24 2004.

³³ "Mountains of Drugs," *Bangkok Times*, December 21 2003.

situation. In 1998, nearly 80 percent of registered HIV cases in China were found along the Burmese border.³⁴ HIV was, for a long time, closely linked to the heroin trade originating from Burma. This has changed dramatically after the decline of Burmese heroin production. The spread of HIV has taken a much more aggressive trend across China, particularly in areas that have replaced the Burmese narcotics networks, such as the border region with Afghanistan, Central Asia and North Korea. However, it is evident that the source of the HIV/AIDS epidemic is in southern China with its transit routes for heroin. This even if the complexity of the HIV situation has increased and demands a more multifaceted and costly solution that includes stronger measures of education, medical care, but also of more elaborative traditional measures against the traffickers and producers.

Looming Threats in the West?

According to Chinese sources and the U.S. Drug Enforcement Administration (DEA), some 20 percent of the heroin in China could come from Southwest Asia (Afghanistan).³⁵ This number does not correlate with the rapid decrease in Southeast Asian production and the rise of heroin abuse in China. Zhou Yongkang has pointed out the increasing significance of Afghanistan as a future provider of heroin to China and the need to increase attention on the bordering regions to Central Asia, in addition to the Southeast Asia front.³⁶ Based on the declining production in the Golden Triangle and the increased usage in China, Afghanistan became another viable source for heroin imports. Continued instability and low socio-economic development in Afghanistan guarantees continued trade of heroin from Afghanistan which are both cheap and of steady supply. If the international community does not address the problem in Afghanistan and the country continues to remain poor, Afghanistan will remain in the tight grip of the narcotics industry.

³⁴ Soe Myint, "Health-Asia: Burma HIV Epidemic Spreads To India, China," *Inter Press Service*, November 10 1998. The Chinese government estimated 68 percent of the HIV/AIDS victims are intravenous users, 10 percent is attributed to the sex industry, 10 percent to the usage of infected blood and the remainder is unclear. See Drew Thompson, "HIV/AIDS Epidemic in China Spreads into the General Population." Other assessment has been made that claims that "approximately 45 percent of the HIV/AIDS cases in China are a result of shared needles by drug users. Another 30 percent resulted from sexual encounters, with tainted blood products contributing the remaining 25 percent" Ed Lanfranco, "U.S. and China cooperating on HIV/AIDS."

³⁵ U.S. Department of Justice, Drug Enforcement Administration, *Drug Intelligence Brief: China*, 2005.

³⁶ Zhou Yongkang, Guangdong Anti-Narcotics Network, *2002 Chinese Drug Suppression Report*, 2003.

Central Asia's growing role as a new import channel is made easy by the internal instability, corruption and, to a certain degree, the creation of a narco economy in parts of neighboring Central Asia. The "Osh knot" in Kyrgyzstan has become an increasingly important transit link utilized by Chinese criminal networks.³⁷ Moreover, Central Asia has increasingly become an important source of heroin for the Chinese market. Due to the inaccessibility of the Sino-Afghan border, most of the narcotics are transported through Tajikistan, Kyrgyzstan and, to a lesser extent, Kazakhstan.³⁸ The border areas between the Central Asian states and China are very porous and difficult to control due to their length and the scattered populations. Moreover, direct government involvement in some Central Asian states has decreased transaction costs and risks to minimum for the smugglers.

The Chinese authorities have partly realized the importance of Central Asia and attempts to increase anti-narcotics cooperation have been initiated, even if the extent is far from satisfactory.³⁹ China has, however, failed to acknowledge changed patterns of heroin production and the increasingly monopolistic position that Afghanistan has developed into. Chinese officials continue to emphasize the role of the Golden Triangle as the world's largest heroin producer, even though its role in exporting heroin to China is expected to decline further in the coming few years. Meanwhile, Afghanistan with its transit routes via Central Asia is making the country into a significant supplier of heroin to the world.

In the case of China, a new route for heroin from Afghanistan has opened via Xinjiang. To effectively combat the growing problem of the Central Asian transit route, the Chinese authorities have to engage the regional authorities. However, since many governmental figures in Central Asia are directly involved in the narcotics trade, alternative actions might be necessary to effectively combat the narcotics trade.

Cooperation with the Central Asian states over the narcotics problem is still rudimentary in comparison to the successful anti-narcotics cooperation that China has initiated with the Southeast Asian authorities. The Shanghai Cooperation Organization (SCO) has initiated several programs addressing this issue, but both the practical effect of

³⁷ It should be noted that the Central Asian trade in narcotics is controlled by Central Asian networks and the Chinese are either in cooperation with the Central Asian organization or simply a buyer. There is little evidence that Central Asian networks operate within China. It seems as traditional organization in Southern China has moved parts of their operation to the west or that criminal organization in Xinjiang has taken up the trade.

³⁸ "Court Opens for Heroin Suspect," *China Daily*, April 2 2005.

³⁹ "China to Sign Anti-Drugs Cooperation Agreement with Other SCO Members," *Xinhua News Agency*, March 1 2004.

programs and bilateral attempts at cooperation remains very limited.⁴⁰ As China's influence over the region increases, it would be able to better exert its influence over the Central Asian actors, as it did previously in Burma.

Drug Trade in Northeast China

North Korea is another front in the combat against narcotics. The North Korean factor is extremely problematic in China. Many Chinese officials have either denied any North Korean involvement in the narcotics trade or claimed that this is a political problem.⁴¹ The reality is that much of the narcotics in Northeast Asia (including Russia) today originate from North Korea and states such as Australia have severe problems with narcotics originating from North Korea.⁴² It is normally assumed that the North Korean government is involved in the drug trade and there have been persistent accusations for a long time that the North Korean government is directly involved in narcotics production. However, there is no direct evidence of the North Korean government's involvement since the 1970s when several North Korean embassies were caught selling narcotics in order to sustain their diplomatic activity.⁴³

The United Nations World Drug Report does not refer to North Korea as a major producer or transit country. This is due to the lack of information about the narcotics situation in North Korea. However, there have been unofficial references to North Korea as an emerging problem in fight against narcotics. The increasing seizures of large amounts heroin smuggled by North Koreans to Australia, Japan and other important consumer states do indicate a disturbing development of major export of heroin through North Korean criminal networks. In contrast to the earlier, relatively minor exports size, this indicates a more aggressive trend and an increasingly important role of North Korean heroin on the world market.

Part of the evidence of North Korean involvement can be seen in the large quantities of heroin available in border areas close to North Korea,

⁴⁰ Niklas Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations," *Journal of Contemporary China* 14, 45 (2005): 569-584; Swanström, "Multilateralism and Narcotics Control in Central Asia."

⁴¹ Interviews with Chinese officials 2004-2005.

⁴² "Dozens of North Korean Diplomats Caught Smuggling Drugs," *Radio Free Asia*, December 15 2004; Larry Wortzel, "North Korea's Connection to International Trade in Drugs, Counterfeiting, and Arms," *The Heritage Foundation*, May 20 2003.

⁴³ David Asher, "The North Korean Criminal State, its Ties to Organized Crime, and the Possibility of WMD Proliferation," *Policy Forum Online*, November 15 2005; Balbina Hwang, "Curtailling North Korea's Illicit Activities," *The Heritage Foundation*, August 25 2003.

such as Dalian (Port Arthur).⁴⁴ This situation may be partly due to the transit trade from Afghanistan to the eastern part of Russia, but the high concentration is more likely to indicate the existence of direct trade from North Korea. There have been several seizures of heroin from North Korea reported in Japan and Australia but very few reported by China.⁴⁵ Several Chinese police sources have, however, been very clear that North Korea is an emerging actor in the drug trade. Some even estimate the North Korean trade to be the third largest supplier of heroin into China after Burma and Afghanistan.⁴⁶ While there are neither official information nor public debate about this issue, however reports from hospitals and civil society in China do appear to second such an opinion.⁴⁷

There are strong indications that North Korean criminals are working closely with Russian and Chinese criminal organizations in the Chinese heroin trade. The size of this trade remains however unknown. It is evident that the Russian Far East is an increasingly lucrative route of transit out of North Korea and thus, it is far from surprising that the Chinese triads control much of the criminal activity in the region. Many Russians are part of the Chinese criminal organizations, but the Chinese organizations do not seem to control the narcotics trade.⁴⁸ The narcotics trade in the Russian Far East is largely dominated by Tajik, Kazakh, Chechen and other Central Asian criminal networks. This is directly connected to the already established structure they have established in the Russian Far East and Central Asia. With the combined strength of North Korean production and an open transit route from Afghanistan to Russia's Far East, it is easy to imagine that northeast China will see an increase in its narcotics supply and a decrease in prices. The strong Central Asian network in the Russian Far East confirms reports that Afghan heroin is prevalent in the northeast region, but it seems that this trade is reinforced by North Korean production. The direct trade between China and North Korea is unknown, although it is alleged by Chinese officials to be substantial.

⁴⁴ A smaller supply in areas away from the borders indicates a concentration of smuggling activities in border areas. "China seizes 12 tons of drugs in past five years," *Xinhua News Agency*; Nick Squires, "North Korea linked to heroin haul in Australia," *South China Morning Post*, May 28 2003.

⁴⁵ "N Korea 'trafficking drugs,'" *BBC News*, March 2 2004; Kim Young Il, "North Korea and Narcotics Trafficking: A View from the Inside," *North Korea Review*, February 27 2004.

⁴⁶ Interviews with drug enforcement personnel, security forces and police in China 2004-2005.

⁴⁷ Interviews in China 2004-2005 with medical staff and civil society in northern China.

⁴⁸ Bertil Lintner, "Chinese Organised Crime," *Global Crime* 6, 1 (2004).

Threats From Within

China is no longer only a transit and consumer state, as it once was but also a production area. That said, Hong Kong is the main transit route to western and to certain extent wealthy Asian states.⁴⁹ Retail prices for heroin in Hong Kong have fallen from HK \$476 (US \$ 58)/gram in 2000 to HK \$333 (US \$ 41)/gram in 2005 and this clearly speaks for a massive influx of drugs. Increased prices in Southeast Asia also indicate new sources of heroin. Hong Kong, Fujian and other coastal areas in southern China are similarly used for smuggling. This indicates that most of the concentration of the drugs is still in the south. Chinese criminal gangs, as organizers of the transit hub in Asia, continue to have strong cooperative links between Chinese criminal gangs and Colombian, Burmese, Philippine, Dutch, and Australian criminal networks. This has made it possible for Chinese criminal networks to take a more active role in the narcotics trade. There is also a strong connection between criminal organizations in China and overseas Chinese which has enabled these criminal networks to improve their distribution networks.⁵⁰ Moreover, China's recent economic development has created a strong domestic consumer base that is very much utilized by the criminal organizations. Abuse has moved out of the traditional socially marginalized user groups to the relatively affluent Chinese citizen.

Chinese criminals import large quantities of narcotics, primarily heroin and other forms of narcotics. However, they have also become important exporters of methamphetamine hydrochloride (shabu) and crystal methamphetamine (ice) to the Philippines, Japan, South Korea and other nearby states and as an important transit route for export to other states.⁵¹ Chinese criminal organizations, according to many sources, control the narcotics trade in Asia and have made important inroads in the West through the above-mentioned channels.⁵² The heroin trade has for a long time been the most important trade, although diversification of the industry to other form of narcotics have increased the profitability and decreased the possibilities for the police to control the trade. There is only a very small amount of opium and heroin produced domestically in China and heroin is imported, but much of domestic production of methamphetamine is consumed locally. The increased production is

⁴⁹ Simon Parry, "A life Turned Upside Down by Heroin Arrest," *South China Morning Post*, April 24 2005.

⁵⁰ Lintner, "Chinese Organised Crime."

⁵¹ Nailene Chou Wiest, "Drug Problem Severe, Says Narcotics Official," *South China Morning Post*, July 15 2004; John Hill, "China's Battle Against Designer Drugs," *Jane's Intelligence Review*, February 1 2006.

⁵² Ralf Emmers, "The Threat of Transnational Crime in Southeast Asia: Drug trafficking, Human Smuggling and Trafficking, and Sea Piracy," *UNISCI Discussion Papers*, May 2003.

strengthening the position of Chinese organizations as producers and exporters. Asia is by far the largest producer of methamphetamine and according to U.N. estimates, China produces 50 percent of the methamphetamine in Asia⁵³ Most of this production is concentrated in southeastern China, primarily Guangdong.⁵⁴

Pseudoephedrine and ephedrine are plentiful in China due to industrialization and the creation of a domestic chemical industry. These substances are the most important precursors for narcotics production. Thus, China has emerged as one of the more important exporters of precursor chemicals. The Chinese exports are significant with cooperation between China and several of the potential buyers already established.⁵⁵ For example, Mexico imports precursors from China to sustain the domestic meth production that is exported to the U.S.. The trade of Chinese precursors is also increasingly sustaining the production of heroin in Afghanistan.⁵⁶ Bilaterally, the Chinese government has strengthened the regulation on sales of precursors.⁵⁷ Despite efforts to tighten control of precursors, Chinese criminal organizations continue to be able to export them in substantial quantities.

All of the above-mentioned factors have made the Chinese criminal organizations effective transit production and sale organizations. Although seizures of narcotics have increased steadily in China and several criminal organizations have been stopped, the Chinese government has yet to claim victory in its fight against narcotics. As long as the demand is increasing rapidly and the production and transport structures exist, the Chinese problem will grow domestically and create social, economic and even potential, future political problems.⁵⁸

Conclusions: Implications for Chinese National Security

There has been an apparent shift in the supply of heroin from Southeast Asia to Afghanistan, Russian Far East and North Korea as well as an increase in internal production of narcotics, though not heroin. What was

⁵³ 2005 World Drug Report, 101.

⁵⁴ *Ibid.*, 100.

⁵⁵ "China, US Break up Drug Ring," *Xinhua News Agency*, May 22 2003.

⁵⁶ Vladimir Fenopetov, "The Drug Crime Threat to Countries Located on the Silk Road," *CEF Quarterly* 4, 1 (2006): 11, (this issue).

⁵⁷ Ray Cheung and Joseph Ma, "China's gateway to the golden triangle heroin floods across the border from Burma en route to addicts worldwide," *South China Morning Post*, June 28 2003.

⁵⁸ Chow Chung-Yan, "Alleged 'Ice King' on Trial After Record Haul Guangdong Man Produced 12.36 tons of Designer Drug, say Prosecution," *South China Post*, March 24 2005; "Head of methamphetamine plant on trial," *Xinhua News Agency*, March 23 2005. As one example, Chen Bingxi was sentenced for producing 12.36 tons of ice from October 1999 until his arrest in 2005. This ice was traded internally and through Hong Kong and he was also alleged to have smuggled large quantities of heroin the same route

previously a rather straightforward narcotics problem has become a more multifaceted challenge for the Chinese authorities that is increasingly difficult to deal with. The Chinese authorities need to expand their geographical focus and their strategies towards Eurasia besides Southeast Asia. It is evident that Burma is still the most important actor for China. However, the rapid decline of heroin production in Southeast Asia, even with an increase of methamphetamines production in the Shan area, indicates that the new heroin import states will be increasingly important. As well as the importance of internal production of methamphetamine and export of drugs and precursors are growing significantly.

The change in geographical focus of the narcotics trade and the relatively slow response from the Chinese authorities indicate that measures to deal with narcotics-related security problems remain inadequate. This is not specific to China, many other states possess criminal organizations that have developed mobile, flexible structures that can easily and often change their *modus operandi* and location of operation. Government structures are far slower or even unwilling to change their modes of operation. This is especially true of China's neighbors, like Tajikistan, North Korea, Burma, Laos, Afghanistan and Kyrgyzstan, where corrupt government officials or even governments, to a certain degree, benefit from the narcotics trade. There are several political problems that China has refused to acknowledge, such as the importance of North Korea as an exporter. It has also not faced up to the growing significance of Central Asia as a major inroad for narcotics into China. This neglect has and will further simplify the task of criminal networks who seek access to China. Once the criminal networks are established, it is very difficult to exterminate them, as high profitability keeps them operating.

The narcotics trade and its negative effects pose a real security threat to China. However, this security threat cannot be resolved by military means alone. There is also a limit as to the role the police can play in dealing with the growing number of narcotics users. China needs to increase and improve its socio-economic programs and implement more direct measures against the narcotics problem in the health, information and legal sectors. Moreover, increased cooperation with the Central Asian states, North Korea and Russia is necessary if China is to be successful in curbing the influx of narcotics from Eurasia. However, it is unlikely that all these governments will be actively supportive of an anti-narcotics program. This has been seen in Central Asia where there has even been reluctance to implement effective policies in some countries

because of the involvement of government officials in this illegal but lucrative business.⁵⁹

Increased narcotics trade has led to increased criminality in China and the Chinese government has made a direct correlation between criminality and narcotics abuse. This is primarily through petty crime and prostitution, but larger criminal schemes have been connected to abuse. Criminal organizations increasingly use Chinese banks for money laundering and invest large amounts of capital in the Chinese economy which threatens to increase the criminalization of the legal economy.⁶⁰ The extent of this is unknown, but areas such as Macau, Fujian and Dalian are directly affected where the narcotics trade could be a significant part of the local economy.⁶¹

One of the most threatening security threats to China stemming from the narcotics trade is the increased prevalence of HIV/AIDS in the country. Traditionally the threat has been restricted to intravenous users, but this has now spread to non-intravenous users and threatens to gain epidemic proportions in China. So far this threat is still contained to the transit lines and production sites but it has recently begun to spread outside these enclaves. As the abuse of heroin continues to rise, it will increase the speed of infection rapidly to non-intravenous groups. This occurs especially among a young user population that is sexually active outside the traditionally most affected communities, such as intravenous users.

Corruption is on the rise in China and a growing number of mid-level officials have been connected to narcotics crimes.⁶² Prosecutions has increased and the number of arrests has grown significantly, even if the measures have been criticized by the international community for their harshness and in some cases mistrials. However, it should be noted that China has increased both its seizures and prosecutions and this is a sign that it has taken the issue seriously. Although the Chinese government still lacks the resources to fully address the challenges brought about by the narcotics problem, especially in the “new” regions of import.

It seems that the Chinese leadership is untouched by the narcotics trade and there have been no allegations that the top leadership is involved in trafficking thus far.⁶³ At the community level, the situation is getting worse with large communities being heavily dependent on profit from the narco trade. This is very closely linked to increases in drug

⁵⁹ Swanström, "Multilateralism and Narcotics Control in Central Asia."

⁶⁰ *International Narcotics Control Strategy Report -2005*, "Anti-Money Laundering in China: the Status Quo and Prospects," Speech of Mr. Zhou Xiaochuan.

⁶¹ *International Narcotics Control Strategy Report -2005*.

⁶² U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report -2003*.

⁶³ Central Intelligence Agency, *World Fact Book*, February 2 2006.

“lordism” at the expense of the national structures, in many poorer areas of Yunnan. In other affected regions, the local drug lords have taken over some of the local power at the expense of the Central government. In many villages, especially in remote areas, the transit and production trade is more lucrative than legal industry. This has created a situation where the illegal structures are more important than the official structures. Despite these challenges, the situation is far from lost. With the right resources and mandate, the Chinese government can prevent the situation from deteriorating further. A significant part of the solution is to take the lessons from the Burmese border and apply them in other regions of China together with a more strict narcotics policy internally and towards its neighbors.

The challenges of the narco business are troubling, but it can be a common denominator for cooperation between many states in the Eurasian region. Narcotics abuse is deemed to create a common interest between the Eurasian and Asian states that are affected by the production in Afghanistan primarily, but also in Burma and Laos. Increased cooperation is needed over borders to curb production, increase transaction costs in the transit regions, decrease availability for consumers and finally to jointly educate people about the dangers and provide assistance to these from rehabilitation in recovering from narcotics abuse. The European Union, the U.S. and Japan, among others, should demand stronger measures against the narcotics trade from its beneficiaries and China, India and Russia needs to seriously convince their partners to cooperate against the narcotics trade. Until this happens, most states stand alone in their fight against the narcotics trade and the best cooperation we can find is between the criminal organizations.