

# Executive Summary

East Asia and the Pacific have experienced rapid economic and social changes during the past few decades and faced the considerable regulation challenges these changes create for public authorities. This report takes a look at the manner in which criminal enterprises have developed alongside legitimate commerce in recent years. Drawing on official statistics, academic studies, and interviews with law enforcement officials, it attempts to outline something about the mechanics of illicit trade: the how, where, when, who, and why of selected contraband markets affecting the region. It also endeavours to give the best reading of the available data on the size of these markets. Though the list of contraband markets discussed is not comprehensive and it is impossible to quantify the value of these markets with any precision, these estimates are offered to prompt public debate on areas of great public policy significance.

The mechanics of trafficking are discussed for a non-exhaustive list of 12 illicit flows, which themselves are organized under four headings:

1. Human trafficking and smuggling of migrants
2. Illicit drugs (heroin and methamphetamine)
3. Resources (wildlife, wood products) and pollution crime (e-waste, ozone-depleting substances)
4. Products (counterfeit goods, fraudulent medicines)

## Human trafficking and smuggling of migrants

Four of the 12 illicit flows reviewed involve human beings. The first two concern movement between the countries of the region, one for general labour and one for sexual exploitation. The third concerns

the smuggling of migrants from the region to the rich countries of the West, and the last focuses on migrants smuggled through the region from the poor and conflicted countries of South and Southwest Asia.

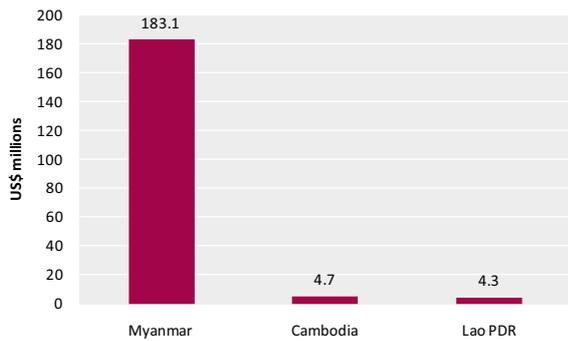
### 1. Smuggling of migrants and labour trafficking within the Greater Mekong Sub-Region

While the crimes of human trafficking and the smuggling of migrants are distinct, in the Greater Mekong Sub-Region (GMS), they are closely interlinked. Away from their home communities and in their destination countries illegally, smuggled migrants have little basis to assert their rights as workers, and what begins as a voluntary journey towards a better life can descend into exploitation. Thailand is the regional labour magnet, and Myanmar in particular has contributed significantly to its labour pool. While formal migration channels do exist, many migrant labourers prefer to enter Thailand irregularly, this is because complying with the legal channels can be expensive and time-consuming. As a result, many migrants turn to smugglers to facilitate their entry and help them find work. Many smugglers were irregular migrants themselves, and most rely on word-of-mouth to promote their services. For a fee, smugglers help the migrants cross both official and unofficial borders, either on foot, by vehicle or boat. The smugglers make use of relationships they have built with Thai employers and brokers to link migrants with jobs.

The majority of irregular migrants get what they came for: employment at better wages than they could have received at home. But sometimes their vulnerability is exploited and they are forced to work without pay, under terrible conditions. While all areas of employment are vulnerable to exploitation, the fishing and seafood processing industries have garnered much recent attention.

UNODC has estimated that just over half a million migrants are smuggled into Thailand annually, with the vast majority coming from Myanmar. The amount paid for smuggling services varies according to the required services. Migrants from Myanmar pay the highest fees, while migrants from Lao PDR and Cambodia pay considerably less. It appears that around **US\$192 million** is generated on an annual basis by smuggling migrants from these three countries into Thailand. Calculating the share of these migrants who are subsequently trafficked is challenging, and is estimated at around 26,400 victims per year, or around 5% of the smuggled migrants. The amount of labour stolen from these victims averages US\$1,260 per year, resulting in a sum of **US\$33 million** per year generated for their exploiters.

**Breakdown of income generated by smuggling migrants into Thailand annually**



Source: UNODC estimate

**2. Trafficking of women and girls for sexual exploitation within the Greater Mekong Sub-region**

The sex markets of the Greater Mekong Sub-region are based on both high levels of sex tourism and strong domestic demand. Sex tourism from the West is the best documented, but Asian sex tourists appear to be more numerous. The illicit market in Thailand is probably the best known internationally, but markets in other countries, such as Cambodia, are expanding. If only a small minority of the sex workers are trafficked, there are still a large number of victims, given the sheer size of the industry. Thailand alone contains as many as 250,000 sex workers, according to Ministry of Health estimates.

Many of the victims are irregular migrants from the poorer countries who fall into sex work with varying degrees of volition. Traffickers control migrant sex

workers through debt bondage accumulated from the cost of smuggling. Remarkably, though, it appears a small number of sex workers in Cambodia are trafficked from the relatively affluent Viet Nam, a result of a longstanding association between sex work and Cambodia’s ethnic Vietnamese minority. Both sex tourists and local consumers provide demand for underage victims, and this may be one of the driving forces behind the trafficking.

Given the gaps in the data, the estimates of the number of victims of trafficking in Thailand from neighbouring countries (approximately 3,750) and in Cambodia (approximately 275) should be considered tentative, and demonstrative only of the order of magnitude of the problem. The income generated by these 4,025 foreign victims of trafficking in Cambodia and Thailand is approximately US\$45,000 per victim per year, or about **US\$181 million** in gross revenues for their traffickers.

**3. Migrant smuggling from East and Southeast Asia to the United States and the European Union**

International labour migration is a longstanding tradition for many East Asian populations, of whom the Chinese are the most numerous. The Vietnamese diaspora is also extensive, and flows from both these countries appear to have increased since the 1980s. Most of this migration is legal, but those who choose to migrate illegally are highly likely to use smugglers, due to the distances involved and language difficulties. The main destinations for Chinese migrants, who are mostly from the more affluent, eastern provinces of China, are the United States, France, Germany, Italy, Spain and the United Kingdom. The majority of Vietnamese smuggled migrants are from the northern provinces, and tend to choose the United States, United Kingdom, France and Germany as preferred destinations.

While sea routes are still used, today most smuggled Chinese and Vietnamese migrants fly as close as possible to their destinations, landing in countries without visa requirements or where entry controls are weak, and then move clandestinely the rest of the way overland. Many use routes through Central America to reach the US-Mexico border. European authorities report that the majority of smuggled Chinese nationals enter by air, and use Eastern Europe as the transit region of choice, with

a combination of genuine and fraudulent documentation. Transit through Africa is growing. Visa and marriage fraud is also popular with Chinese smugglers.

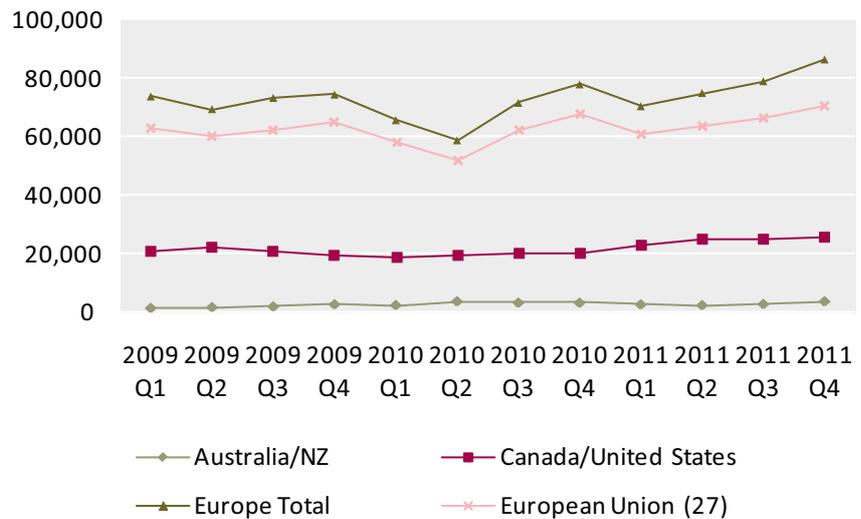
Chinese and Vietnamese smuggling networks are known to outsource travel through transit countries, as well as entry into destination countries, to locally-based networks, and occasionally there is collusion between Chinese and Vietnamese migrant smuggling networks. Chinese networks are male-dominated, but women are also involved. Less is known about Vietnamese smuggling networks, although they are well-established throughout Europe.

While not all irregular Chinese and Vietnamese migrants are smuggled, most are. It is estimated that approximately 12,000 Chinese irregular migrants enter the US every year, each paying around US\$50,000 for smuggling services. This would generate up to **US\$600 million** a year for smugglers. The number of Vietnamese smuggled into the US is much lower, likely fewer than 1,000 individuals. If they pay the same fees as the Chinese, this would result in payments to smugglers being worth **US\$50 million** a year. Smuggling fees for Chinese irregular migrants wishing to enter the European Union are lower, averaging around US\$17,000. UNODC estimates that up to 36,000 Chinese irregular migrants use smuggling services to reach the EU on an annual basis, which would generate up to **US\$600 million** a year. Roughly half as many Vietnamese irregular migrants are detected as Chinese in the EU, suggesting a flow of about 18,000 per year. Again, if paying the same price as the Chinese for smuggling services, this would provide an income of **US\$300 million** for smugglers each year.

#### 4. Migrant smuggling from South and West Asia through Southeast Asia to Australia and Canada

The dynamics behind the smuggling of migrants from West and South Asia are complex, as a large proportion of these smuggled migrants are either

**Quarterly asylum claims submitted in selected industrialized regions, 2009 – 2011**



Source: UNHCR 2012

refugees or intend to claim asylum upon reaching their destination. The focus of this chapter is on the smuggling of migrants from these regions, through Southeast Asia, to enter Australia or Canada by sea. Both these countries host large diaspora communities and this, along with the strong social supports they offer, makes them attractive destination countries for asylum seekers. Most of these smuggled migrants are young, single males, many of who have been sent by their families to put down new roots so that they can follow.

Most are smuggled by air from their home countries to transit countries from which they continue onward. Once pooled in the departure location, many of the migrants wait weeks or months to board the boats, which are often in poor condition; several have sunk before reaching Australian territory. Indonesia is the main departure country for smuggled migrants hoping to reach Australia by boat, given its proximity to the territories of Christmas Island and Ashmore Reef. While Canada is a secondary destination for asylum seekers from South and West Asia, it is the destination of choice for those from Sri Lanka. Most smuggled migrants reach Canada by air, but boat arrivals have increased in recent years, including notable cases in 2009-2011.

Most of the migrant smuggling networks are small or medium-sized, involving a range of intermediaries located throughout the departure, transit and destination countries. Most have a hierarchical structure, many share ethnic backgrounds with the

migrants. They may outsource certain services in transit countries to locals in those countries. Female smugglers are preferred, as they attract less attention from law enforcement. The smuggling networks involved in bringing migrants to Canada from Sri Lanka are closely linked to the Liberation Tigers of Tamil Eelam (LTTE).

There are an average of 6,000 smuggled migrants who attempt to reach Australia by sea every year, most of which pay around US\$14,000 for smuggling services. This generates an income for smugglers of **US\$85 million** annually. If we take the 492 smuggled migrants that arrived in Canada on the *MV Sun Sea* in 2010 as an average for annual arrivals, and multiply by the reported US\$25,000 fee, these operations would generate **US\$12.3 million** a year for the smugglers.

## Drug trafficking

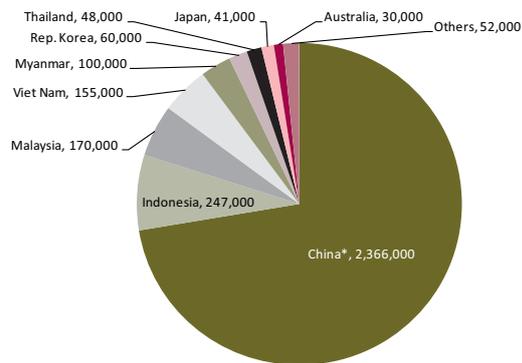
The production and use of opiates has a long history in the region, but the main opiate problem in the 21st century involves the more refined form of the drug: heroin. In addition, methamphetamine has been a threat in parts of East Asia for decades (in the form of *yaba* tablets), but crystal methamphetamine has recently grown greatly in popularity. Virtually every country in the region has some crystal methamphetamine users, and some populations consume at very high levels.

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

Heroin consumption is rising in the region, with an estimated 3.3 million users at present. Today, most of the regional heroin production is confined to politically-contested parts of Myanmar. Almost all of the heroin produced in Southeast Asia is consumed in East Asia and the Pacific. It is rarely encountered outside the region.

Since the majority of regional heroin users reside in China, the most significant flow of heroin proceeds directly across the border between Myanmar's Shan State and the Chinese province of Yunnan. Most of this is trafficked across the border by individual couriers, many from ethnic groups that straddle the border. From China, a significant amount of heroin is re-exported to the rest of the region,

### National estimates of the number of heroin users in 2010



Source: UNODC estimates

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

predominantly through Yunnan's capital, Kunming. The contraband traffic between China and Myanmar flows both ways, as China is a major producer of the precursor chemicals needed to produce heroin.

Since heroin from Myanmar is no longer sufficient to meet regional demand, large volumes are imported from Afghanistan. The trafficking of Afghan heroin into the region is more complicated, as the drug travels by land, sea and air through a variety of transit countries. The Xianjiang Uyghur Autonomous region is the main distribution hub for Afghan heroin crossing into western China, while Guangzhou is the major distribution hub for Afghan heroin nationally and for export into Southeast Asia. As Afghan heroin has become more important to local markets, Nigerian and Pakistani groups have entered the market. Malaysia is frequently used as a hub to redistribute the drug to the rest of the region. International drug syndicates have recruited Cambodian, Indonesia and Thai nationals to smuggle the heroin, mostly by air.

There is a lack of reliable data on the prevalence of heroin use in the region, and little is known about how much users consume. Based on the best reading of the available data, regional consumption is estimated at 65 tons of pure heroin in 2011. Available data on prices and purity suggest a retail sales volume of about **US\$16.3 billion** in 2011.

### 6. Trafficking of methamphetamines from Myanmar and China to the region

Consumption of pill-form methamphetamine ("yaba") remains very popular in Southeast Asia, particularly Thailand. Much of the world's *yaba* is

produced in Myanmar's Shan State, as well as in China. Crystal methamphetamine, a more potent and addictive form of the drug, has spread to every country in the region. China is probably the largest producer, but large labs have also been detected in Indonesia and the Philippines. Use of crystal meth in Oceania and the Greater Mekong Sub-region is the highest in the world, and in parts of China, methamphetamine has begun to displace heroin as the most problematic drug of abuse. Increasing methamphetamine use is also of concern in the Pacific Islands, which do not have the resources to combat the problem. Many of the Pacific Islands are also used as transshipment hubs, but production has been noted in Fiji, Guam and French Polynesia.

China and Myanmar stand out as producers for export. In Myanmar, methamphetamine production is strongly associated with non-state armed groups, which are actively participating in the manufacture and trans-border smuggling of the drug. As Myanmar has no domestic pharmaceuticals industry, all the precursor chemicals required are diverted from neighbouring countries. In China, most production is consumed domestically, but both Japan and the Republic of Korea say that most of their methamphetamine comes from China.

A wide range of players are involved in the domestic and transnational methamphetamine markets, including professional criminals, high-ranking officials and military personnel in several countries. Ethnic Chinese networks have been complicit in methamphetamine markets inside Myanmar, as well as in Indonesia, Malaysia and the Philippines. Nigerian and Iranian criminal networks also feature

prominently in methamphetamine markets in East Asia and the Pacific.

The *yaba* market is largely confined to the Greater Mekong Sub-region. Based on seizure and survey data, an estimated 1.4 billion *yaba* pills are consumed annually. Using local prices, this market generates US\$8.5 billion each year. Calculating volume and value of the crystal methamphetamine market is trickier, given the large numbers of countries producing and consuming the drug. The estimated number of users in East Asia and the Pacific is around five million, with China and the Philippines accounting for much of this total. Based on street prices in the region, the crystal methamphetamine market is worth US\$6.5 billion. Taking *yaba* and crystal together, the methamphetamine market in East Asia and the Pacific generated around **US\$15 billion** in 2010.

## Resources

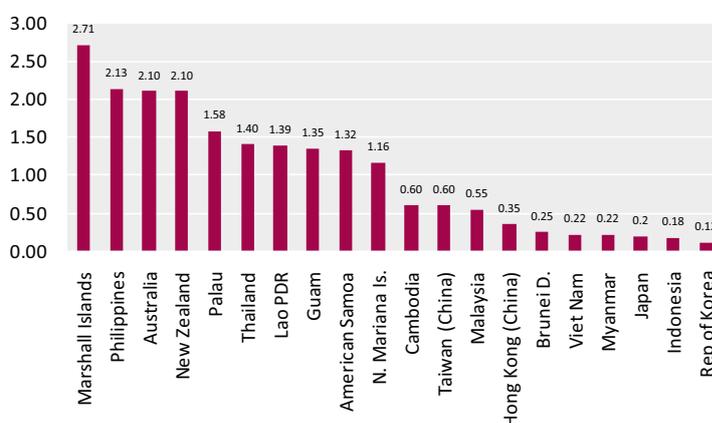
Resource-related crimes include those related to both extractive industries, such as the illegal harvesting of wildlife and timber, and other crimes that have a negative impact on the environment, such as the dumping of e-waste and the trade in ozone-depleting substances. In all cases, the threat goes beyond borders, jeopardizing the global environmental heritage. These are therefore crimes of inherent international significance, though they are frequently dealt with lightly under local legislation.

## 7. The illegal wildlife trade in East Asia and the Pacific

In East Asia, population growth and burgeoning affluence have led to rising demand for exotic and luxury products, including wildlife products. China is both the region's largest economy and the largest consumer market for wildlife, imported for food, traditional medicinal ingredients, the pet trade, and exotic décor. A wide range of animal and plant products are imported, including those derived from protected species of bear, pangolin, reptiles, turtles, sharks, corals, aquarium fish, and other marine wildlife.

Each of these products has a different trading chain, which may include domestic and international specialists

### Share of the adult population that used methamphetamine in 2010



Source: UNODC Delta Database

involved in the storing, handling, transporting, manufacturing, marketing and retailing of wildlife. A number of techniques can be used to facilitate import, including the use of fraudulent paperwork and the mixing of protected species and lookalike species. Wildlife may also be “laundered” through exotic farms, zoos, and greenhouses – species harvested from the wild may be passed off as captive-bred.

Across Southeast Asia, illegal wildlife is often openly sold in otherwise legal market contexts. Prominent markets exist in Indonesia and the Philippines, while international border crossings between China and Thailand also function as wildlife markets. The growth of internet commerce has facilitated illicit trade in wildlife products.

Given the number of species involved, it is almost impossible to come up with a clear estimate of the volume or value of the wildlife traded. It is apparent, however, that the trade in lesser-known animals such as pangolins is far greater in scale than that of large, emblematic species like tigers or rhinos. The largest black market in wildlife products in the region appears to be that of marine wildlife, which is estimated to generate US\$850 million per year. In total, the regional value for the illicit wildlife trade, which includes wildlife that is traded clandestinely or deceptively, is conservatively estimated at **US\$2.5 billion** a year (excluding illegal timber and off-shore fishing).

### 8. Illicit trade in wood-based products from the region to the world

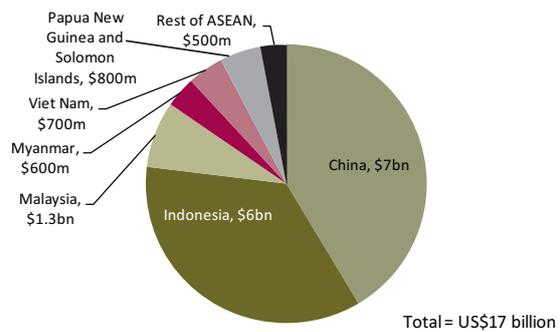
The majority of the illegal trade in wood-based products is carried out in parallel with the legal market, by formal business enterprises operating through fraudulent methods. The illegal trade in wood-based products differs significantly from some other forms of trafficking in illicit goods, as consumers remain largely unaware of the illegal origins of what they are buying.

Illegal wood-based products originate largely in Southeast Asia, mainly Indonesia and Malaysia. Some move directly to consumer countries, while others are processed within the region, mainly in China and Viet Nam, before being exported. Illegal logging is rarely done through shadowy chainsaw gangs. Most often, the logging is conducted by companies with a public face, often with

international shareholders. The logging becomes illegal when the permits are acquired through bribery, or where protected species are involved, or where the harvesting takes place outside agreed concessions. The production and trade of illegal pulp and paper has also been allegedly associated with a wide range of illegalities.

Official corruption plays a central role in the supply of illegal wood-based products from East Asia and the Pacific to consumer markets. As a result, very little illicit wood or wood-based products are seized. Based on official bilateral trade flow statistics, it is estimated that the value of illegal trade from and within the region in wood-based products is around **US\$17 billion**. This suggests that 30-40% of the

### Exports of illegal wood-based products within and from East Asia and the Pacific



Source: UNODC estimates

total quantity and export value of wood-based products exported from the region in 2010 derived from illegal sources.

### 9. Illicit trade in electrical and electronic waste (e-waste) from the world to the region

Electrical and electronic waste is the fastest growing waste stream in the world, a consequence of rapid turnover of electronic devices, particularly in the European Union, Japan and the United States. E-waste is often diverted to the black market to avoid the costs associated with legitimate recycling. Additional revenues are gained through the recovery, mostly by environmentally-unsound means, of valuable metals from electronic components. The informal recycling of illicit e-waste poses a serious threat to public health, as plastic is burned, lead leaches out into soil, and other toxins are released into the environment.

China is the main dumping ground for e-waste in the region, while Indonesia, Thailand and Viet Nam are secondary centres for the trade. Hong Kong (China) and northern Viet Nam are key transit hubs for e-waste shipments. The most common smuggling methods include concealment and mis-declaration. In China, most of the e-waste ends up in Guangdong, where it enters the informal recycling sector. The products recovered from the recycling process are sold to the manufacturing sector through broker networks and waste traders.

Approximately eight million tons of e-waste are smuggled into China every year. For the region, this value could be rounded to ten million tons a year. At a value of around US\$375 per ton, this market is worth **US\$3.75 billion** in East Asia.

## 10. Illicit trade in ozone-depleting substances (ODS) from East Asia to the world

Ozone-depleting substances are principally CFCs and HCFCs, which are mainly used for refrigeration and air-conditioning. The manufacture of these products is being gradually phased out under the Montreal Protocol (1987). The Protocol sets out differing phase-out schedules between developed and developing countries, opening the door to the emergence of a black market in ODS. The illegal trade involves brokers diverting ODS produced in countries with longer phase-out schedules onto markets where ODS are more strictly regulated but where demand remains steady. A licensing system was put in place by the Montreal Protocol, which has been useful in identifying companies that are trying to import ODS without a license, but this system does not capture mislabelled imports.

Production and consumption of ODS still occurs in East Asia and the Pacific. China is the single largest source of contraband ODS, while Indonesia, the Philippines and Thailand (as well as the Middle East) have been the main destinations since 2005. Most seizures that have occurred have involved consignments of ODS packaged in disposable cylinders. Most importers of illicit ODS have legitimate refrigeration businesses. It is estimated that 3,660 tons of illegal ODS flow from and within East Asia on an annual basis, worth an estimated **US\$67.7 million** per year.

## Counterfeit goods

The trade in counterfeit goods is often perceived as a “soft” form of crime, but can have dangerous consequences for public health and safety. Fraudulent medicines in particular pose a threat to public health, and their use can foster the growth of treatment-resistant pathogens.

### 11. Counterfeit consumer goods from East Asia to the United States and the European Union

China has become the world’s workshop, producing a significant share of the world’s manufactured goods. It also produces a large share of the counterfeits: according to the World Customs Organization, 75% of the counterfeit products seized worldwide from 2008 to 2010 were manufactured in East Asia, primarily China.

While dedicated counterfeit factories have been detected in large numbers, production is often decentralized, making use of networks of specialists. The key players in counterfeit markets are brokers and logisticians who connect supply and demand. Following production, the counterfeit goods are concealed, frequently through false customs declarations or disguised with lesser-known logos. Circuitous routes are used to transport the goods, often through free-trade zones. The primary modes of transport are through direct post to the consumer, or through containerized shipment of larger volumes. In both the US and the EU, maritime shipments comprise the bulk of the value of counterfeits seized. Upon arrival at the destination, ethnic networks are often important for receipt and distribution of the goods. Expatriates from South Asia, East Asia and West Africa are particularly key, notably in street distribution.

The OECD has concluded that counterfeiting accounts for around 2% of world trade. Applying this rate to the value of goods imported from East Asia to the US and the EU in 2010 suggests a flow worth some **US\$24.4 billion**.

### 12. Fraudulent essential medicines from East Asia to Southeast Asia and Africa

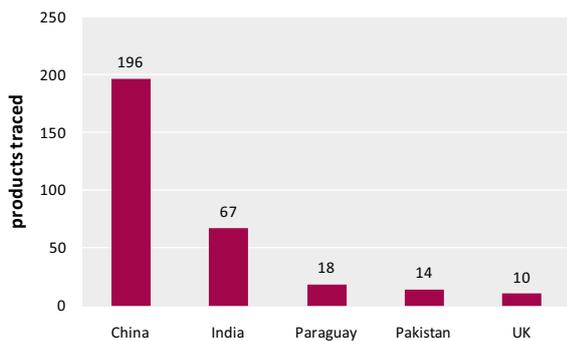
Forensic testing has shown that the prevalence of fraudulent medicines is much higher in poor

countries than in rich ones, with some of the highest rates being detected in Africa and Southeast Asia. For example, a recent literature review suggests that between one-third and nine-tenths of the anti-malarial medications tested in Southeast Asia in recent years were found to be false. Similarly, between 12% and 82% of anti-malarial drugs tested in Africa have failed chemical assay analysis. The low value of these pharmaceutical markets suggests that trafficking in fraudulent medicines is a crime of opportunism.

At present, the largest sources of fraudulent medicines appear to be India and China, with China being the departure point of nearly 60% of the counterfeit medical products seized worldwide between 2008 and 2010. The World Health Organization reports that the manufacturing of fraudulent medicines is often a small-scale cottage industry, but mainstream pharmaceutical companies can also produce fraudulent medicines. The fraud can be introduced at any point in the supply chain, often without the knowledge of the other participants. It is not uncommon for counterfeit ingredients to be sent from China to Southeast Asia for production and packaging. As law enforcement and regulatory pressure has increased within China, key aspects of production may be moving elsewhere, to the Democratic People’s Republic of Korea, Myanmar and Viet Nam. Once the product is finished, it may cross many borders before being consumed. As with counterfeit goods, the free-trade zones of the Middle East have emerged as key transshipment points.

Based on a series of forensic studies, an average of 47% of the anti-malarial medicines tested in Southeast Asia was found to be fraudulent. If this rate of fraud were applied to regional pharmaceutical sales, which amounted to US\$8 billion in 2010, around US\$4 billion in fraudulent drugs were sold

**Top five origins of counterfeit medicines detected**



Source: Pharmaceutical Security Institute 2010

that year. Figures for Africa are similar, and if 60% of these drugs originated in China, this suggests a combined flow to these two regions of about **US\$5 billion** in 2010.

**Conclusion**

Based on an analysis of these flows, the study concludes with 48 recommendations on how the problems can be addressed, summarized under four imperatives:

- 1) Understand the problem
- 2) Establish a normative framework
- 3) Build technical capacity
- 4) Expand regional partnerships

This report represents our best effort to understand TOC in the region and aims to contribute to policy and programme development. It is vital to integrate national responses into international strategies in order to effectively combat TOC in the region. The United Nations Convention against Transnational Organized Crime and its Protocols, and the Convention against Corruption, provide useful platforms for the establishment of a normative framework to guide efforts towards capacity building and expanding regional partnerships.