
THE TRANS-PACIFIC NARCOTICS PIPELINE: Analyzing the Interconnectedness of Organized Crime in the Indo-Pacific and the Subsequent Destabilization of Pacific Periphery Nations

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The synthetic drug pipeline took off a decade ago,¹ leading to the worst drug epidemic in US history and increasing operations in East Asian and Oceanic markets. This silent killer — with a potency fifty times stronger than heroin — has infiltrated communities worldwide. In conjunction with a slew of social factors leading to drug abuse, the simplicity and accessibility of fentanyl has led it to contribute to more than 70% of total overdose deaths in the US. Manufacturing of fentanyl in bulk does not occur domestically in the States. Rather, it is brought about by a greater, more salient trend of an increasingly globalized and interconnected web of non-state actors embedded in illicit markets across the Pacific.

Organized crime refers to syndicates operating in ‘dark networks’, or interdependent entities that use informal, and sometimes formal, spaces to engage in illegal activities.² Organized crime, including corruption, is estimated to consume 15-20% of global GDP every year³—the most lucrative form of which is narcotics trafficking. The onslaught of increasingly interlinked organized criminal groups has contributed to record rates of synthetic drugs infiltrating markets across the Pacific, contributing to severe human, economic, and political insecurity.

The Narcotics Pipeline

With heightened globalization, an expansive network of Chinese and Mexican organized criminal groups (OCGs) has emerged in recent decades. These transnational criminal organizations (TCOs) originally began operating independently, working within their geographic region to assert dominance and control illegal markets. However, with the high profit margins of fentanyl and methamphetamine, TCOs in China have worked in collaboration with Mexican cartels to facilitate narcotics trafficking across the Pacific.

Supply Chain: Part I

In China, synthetic precursors are manufactured in bulk. They are made in disguised production sites typically located within preexisting businesses, such as pharmaceutical, natural mineral, or pesticide-production companies. They may be produced parallel to legal substances, allowing for quick cleanup should law enforcement (LE) suspect illicit activity. Sellers are often embedded in legal companies, making it difficult to decipher who is a criminal and who is an

¹ Sean O'Connor, “Fentanyl: China’s Deadly Export to the United States,” U.S. China Economic and Security Review Commission, February 1, 2017.

² Anthea McCarthy-Jones, “Brokering Transnational Networks: Emerging Connections Between Organised Crime Groups in the Pacific and Indian Oceans,” *Journal of the Indian Ocean Region* 14, no.3 (2018): 343-353.

³ Misha Glenny, *McMafia: Seriously Organised Crime* (London: Vintage Books, 2008), 8.

unknowing employee.⁴ Precursor drugs can be made in small spaces with relatively elementary equipment and overhead, as well as little manpower, leading them to be easily hidden from public perception.⁵ Chinese vendors typically sell from the interior cities of mainland China. Here, the monitoring of shipments and exports is laxer, reducing the likelihood of seizure.⁶ The largest exporters include Shijiazhuang, Wuhan, Xi'an, Changchun, as well as Shanghai and Beijing. Shijiazhuang, a former natural minerals industrial powerhouse, accounts for 41% of the ninety-two alleged fentanyl and fentanyl-analog providers in China, according to C4ADS, a nonprofit specializing in illicit networks.⁷ From these locations, precursor chemicals are created and dispersed globally.

Supply Chain: Part II

From China, vendors ship drugs through major carriers, often with tracking numbers attached so buyers can follow their purchases.⁸ In both seaports and airports, materials are smuggled in, with the help of corrupt or coerced customs officials. Major Mexican cartels hold an iron fist over entry points from East Asia, specifically the ports of Lázaro Cárdenas in Michoacán and Manzanillo in Colima,⁹ providing them uninhibited access to imports from China.

Supply Chain: Part III

After receiving the precursor ingredients from China, Mexican cartels employ chemists. These 'cooks' work out of underground laboratories in cartel-run regions of Mexico.¹⁰ One cook can produce more than 100,000 pills per day, equivalent to a street value of hundreds of thousands USD. A kilogram costing 800 USD of precursor bought from China can make approximately 415,000 pills – a profit margin unmatched by any other drug.¹¹ These pills are then smuggled physically or shipped online into the US.¹² Similar techniques to those outlined in this section have been used to disperse drugs throughout Southeast Asia, with many criminal groups trafficking drugs through Thailand, Myanmar, and Laos. These routes have aided in spreading the drug epidemic throughout the Indo-Pacific and beyond.

Major TCO Actors

Transnational criminal groups are inherently more efficient than government institutions. They are typically less organized and more agile than above-ground bureaucracies which must follow specific protocols, policies, and laws. The Sinaloa Cartel and Jalisco Cartel (CJNG) are the two largest syndicates in Mexico. They have historically trafficked drugs from Latin America to the US, such as marijuana and heroin; but the last decade has shown a considerable shift toward more potent substances like fentanyl and meth due to the strikingly high profit margins of these new drugs. In China, The Company – known also as Sam Gor – is a criminal syndicate comprising five triads: the 14K, Wo Shing Wo, Sun Yee On, Big Circle Gang, and the Bamboo Union. It is headed by drug kingpin Tse Chi Lop, a Canadian-national from China who has created one of the

⁴ Emily Feng, "We Are Shipping to the U.S.": Inside China's Online Synthetic Drug Networks," *NPR*, November 17, 2020.

⁵ Feng, "We Are Shipping to the U.S."

⁶ Feng, "We Are Shipping to the U.S."

⁷ Feng, "We Are Shipping to the U.S."

⁸ Feng, "We Are Shipping to the U.S."

⁹ Vanda Felbab-Brown, "China and Synthetic Drugs Control: Fentanyl, Methamphetamines, and Precursors," The Brookings Institution, March 2022.

¹⁰ Jamie Smyth et al., "The Global Network behind the Fentanyl Crisis," *Financial Times*, November 8, 2023.

¹¹ Smyth et al., "The Global Network behind the Fentanyl Crisis."

¹² Felbab-Brown, "China and Synthetic Drugs Control."

most ruthless criminal campaigns in East Asia.¹³ The Company is responsible for 40-70% of the wholesale meth market in East Asia and the Pacific, and its profits equate to upwards of eight to 18 billion USD yearly.¹⁴ However, individual operators have gained momentum in the market, using contacts from mainland China. In 2017, a Chinese national living in Massachusetts was caught by the US Drug Enforcement Agency (DEA) for running a drug-smuggling warehouse with large imports from China.¹⁵ Zhenli Ye Gon is a Chinese-national who lived in Mexico and owned a pharmaceutical company. He facilitated the import of meth precursors into Mexico, under the guise of pharmaceutical materials, and proceeded to sell them to cartels.¹⁶ He was arrested by the DEA in 2007 but represents an emerging population of individuals who are aiding and abetting the procurement of necessary supply chain materials. Mr. Zhenli is an example of another critical step in linking organized crime groups across the Pacific: brokers. Brokers act as a conduit between the seller and buyer. The expansion and diversification of TCOs can be attributed to the emergence and success rates of brokers.¹⁷ Additionally, brokers can be used by OCGs to settle disagreements, stabilize business deals, and carry out the higher mission of the organization even when internal turbulence brews. The lifespan of an illicit network lies with the broker's ability to source, regulate, and provide relevant insights and intelligence.¹⁸ Brokers are particularly important in facilitating links between criminal groups and money launderers, leading to economic, political, and human insecurity.

Security Destabilization in the Pacific Periphery

According to the UN Office on Drugs and Crime (UNODC), human security refers to, “the personal security of individuals, understood as safety against threats of crime, violence, war and abuse.”¹⁹ Globalizing criminal groups have facilitated the narcotics pipeline, threatening human security and subsequently permeating economies, infiltrating law enforcement, and controlling political power across the Pacific.

In the US, the influx of synthetically produced, easy-to-access drugs has led to the worst drug epidemic in history. In 2020, forty US states reported spikes in opioid-related deaths.²⁰ Two years later, almost 77,000 people died of fentanyl, more than double the rates in 2019.²¹ In 2022, the DEA seized more than 50 million fentanyl-laced counterfeit pills that were sold as prescription opioids, an increase of 100% over 2021.²² Economically concerning, the US Congress Joint Economic Committee reported that in 2020, the opioid epidemic cost the US seven percent of its national GDP, or approximately 1.5 trillion USD.²³ This was a 37% increase from 2017.²⁴ This cost comes from the burden to fight fentanyl-trafficking, price of healthcare treatment, lost workforce

¹³ Tom Allard, “The Hunt for Asia’s El Chapo.” *Reuters*, October 14, 2019.

¹⁴ Felbab-Brown, “China and Synthetic Drugs Control.”

¹⁵ Feng, “We Are Shipping to the U.S.”

¹⁶ “Mexican Fugitive and Co-Conspirator Arrested on U.S. Drug, Money Laundering Charges,” Drug Enforcement Agency, July 24, 2007.

¹⁷ McCarthy-Jones, “Brokering Transnational Networks.”

¹⁸ Anthea McCarthy-Jones, Caroline Doyle, and Mark Turner, “From Hierarchies to Networks: The Organizational Evolution of the International Drug Trade,” *International Journal of Law, Crime and Justice* 63 (2020).

¹⁹ “Trafficking in Persons & Smuggling of Migrants Module 4 Key Issues: Human Security,” UN Office on Drugs and Crime (UNODC), accessed January 2, 2024.

²⁰ Feng, “We Are Shipping to the U.S.”

²¹ “Are Fentanyl Overdose Deaths Rising in the US?” USAFacts, September 27, 2023.

²² Claire Klobucista and Mariel Ferragamo, “Fentanyl and the U.S. Opioid Epidemic,” Council on Foreign Relations, December 22, 2023.

²³ Klobucista and Ferragamo, “Fentanyl and the U.S. Opioid Epidemic.”

²⁴ “JEC Analysis Finds Opioid Epidemic Cost U.S. Nearly \$1.5 Trillion in 2020.” Office of U.S. Representative Don Beyer, September 28, 2022.

productivity, and cost of lives lost and affected. The staggering high rate of lost GDP is an indication that the narcotics pipeline permeates further than just human security, also inhibiting economic growth.

In Mexico, drug cartels control large parts of the country. Their massive wealth allows them to bribe government officials to achieve goals, leading to high rates of corruption and instability.²⁵ There are an estimated 175,000 members of Mexican cartels, making them the fifth largest employer in Mexico and providing immense influence and intelligence into every region of the country.²⁶ Their brutality and lack of respect for human life has led cartels to need to recruit an average of 360 members a week to make up for those lost to arrest or murder.²⁷ The presence of such embedded cartels severely hinders Mexico's legitimacy in the global realm and its internal capability to establish a rule of law.

Rising levels of wealth coupled with falling prices for drugs in Southeast (SE) Asia has expanded the illicit narcotics market. The influx of drugs through the SE Asia corridor has harmed public health, putting a strain on the physical and mental health sector.²⁸ The exploitation of markets in SE Asia has also been heightened by China's Belt and Road Initiative (BRI) investments. The BRI has expanded internet access, leading to dark web abuses, and has improved transportation infrastructure between China and many parts of SE Asia, leading to more efficient cross-border trafficking. In East and SE Asia, 2021 was a record-high year for meth seizures, with 172 tonnes of meth and over one billion meth tablets seized by LE, more than seven times the rates a decade prior.²⁹

There has been hesitancy by LE to be aggressive toward OCGs because of largely corrupt pockets within SE Asia, where retaliatory criminal monopolies exist.³⁰ The Golden Triangle — the volatile area at the intersection of Myanmar, Thailand, and Laos where organized crime has run rampant for decades — continues to breed instability, creating cyclical crime. At the same time, the lucrative returns in the drug market make it a territorial trade. The increased operations of Mexican TCOs in the region is likely to create future tension and conflict with competing Chinese and East Asian OCGs, leading to violence or supply chain disturbance.³¹

In recent years, OCGs have further expanded to capitalize on markets in Australia, New Zealand, and Oceania.³² Many Mexican cartels began seeking buyers in these regions after production of fentanyl and meth exceeded US demand.³³ In 2019, both Australia and New Zealand had a record-breaking number of seizures of Mexican-produced meth. The New Zealand National Drug Intelligence Bureau said that the majority of Mexican-produced meth coming into New Zealand is first trafficked through the US and shipped from there.³⁴ The recent surge observed in drug trafficking to these new regions has caused concern amongst LE and policymakers.

²⁵ "Mexico's Long War: Drugs, Crime, and the Cartels." Council on Foreign Relations, September 7, 2022.

²⁶ Patrick J. McDonnell, "How Many People Work for the Mexican Drug Cartels? Researchers Have an Answer," *Los Angeles Times*, September 21, 2023.

²⁷ McDonnell, "How Many People Work for the Mexican Drug Cartels?"

²⁸ Chao Wang and Nicholas Lassi, "Incentivizing Narcotics Control Through China's Belt and Road Initiative in South and Southeast Asia," *Journal of Developing Societies* 39, no. 3 (2023): 259-288.

²⁹ Wang and Lassi, "Incentivizing Narcotics Control Through China's Belt and Road Initiative in South and Southeast Asia."

³⁰ Wang and Lassi, "Incentivizing Narcotics Control Through China's Belt and Road Initiative in South and Southeast Asia."

³¹ Felbab-Brown, "China and Synthetic Drugs Control."

³² McCarthy-Jones, Doyle, and Turner, "From Hierarchies to Networks."

³³ McCarthy-Jones, Doyle, and Turner, "From Hierarchies to Networks."

³⁴ McCarthy-Jones, Doyle, and Turner, "From Hierarchies to Networks."

Resulting Turbulence in the US-China Relationship

With an already precarious political relationship between the US and China, the trafficking of opioid precursors from China does not bode well for bilateral policy. In October 2023, the US sanctioned 25 Chinese companies and individuals involved in the production of fentanyl precursors.³⁵ This came on top of previous comments by Mexican President López Obrador that China needed to halt the supply of precursors.

In response, the Chinese Foreign Ministry reported, "We firmly oppose the United States' sanction and prosecution against Chinese entities and individuals, and the severe infringement of the lawful rights and interests of the relevant enterprises and persons".³⁶ China has for years rejected the notion that it is responsible for the opioid epidemic, blaming the US for using it as a scapegoat to divert attention from American internal issues — including inadequate government controls, the greediness of big pharma, a lack of anti-drug education in school, and the US' past with drug abuse and legalization of cannabis.³⁷ Beijing has asserted that it has put in place some of the strongest anti-illicit controls worldwide, restating its "zero tolerance" policy toward trafficking and fentanyl abuse.³⁸

Some progress was made in November 2023, when President Biden and President Xi met to discuss the sanctions against precursors. The two reportedly agreed to resume collaboration to crack down on the narcotics supply chain.³⁹ However, many experts remain unconvinced of any change, especially with so many independent sellers already evading export laws. For the US-China relationship, this issue will continue to be contentious.

Policy Implementation

Moving forward, the Pacific periphery nations face complex obstacles to reduce the effectiveness of OCGs and curb the drug pipeline. This section highlights three solutions to mitigate the crisis.

Solution 1: Australia and ASEAN should bolster their partnership to curb illicit drug flows in SE Asia. Australia was the first country to become a dialogue partner of the Association of Southeast Asian Nations (ASEAN) in 1974. Since then, their relations have flourished. In 2018, they created the ASEAN-Australia Counter Trafficking initiative (ASEAN-ACT) to preserve security in the region. However, this 10-year program (2018-2028), funded by 80 million AUD from the Australian government, focuses primarily on the trafficking of persons.⁴⁰ It would be advantageous for this initiative to be expanded and bolstered financially in order to incorporate a parallel sector for drug trafficking. By increasing collaboration, intelligence sharing, and LE strategy, efforts to disturb supply chains and intercept TCO operations could be focussed and optimized.

³⁵ Christy Cooney, "US Sanctions Chinese Firms in Crackdown on Fentanyl Supply Chain," *BBC News*, October 4, 2023.

³⁶ Cooney, "US Sanctions Chinese Firms in Crackdown on Fentanyl Supply Chain."

³⁷ Felbab-Brown, "China and Synthetic Drugs Control."

³⁸ Felbab-Brown, "China and Synthetic Drugs Control."

³⁹ David Ovalle and John Hudson, "China Vows to Crack down on Fentanyl Chemicals. The Impact Is Unclear," *The Washington Post*, November 19, 2023.

⁴⁰ "ASEAN–Australia Counter Trafficking," Australian Government Department of Foreign Affairs and Trade, January 26, 2023.

Solution 2: Another solution is to expand and enhance the crypto expertise of the DEA. As more OCGs move online to sell narcotics and launder money, it is essential to have experts in LE who can decipher and analyze fintech threats. According to Elliptic, a London-based crypto research institute, cryptocurrency use by fentanyl traffickers surged 450% from 2022 to 2023.⁴¹ Currently, the DEA does have agents who study crypto markets and report on the blockchain. Though specific data on the DEA could not be found, a poll with nearly 300 members of LE conducted by TRM Labs estimated that 40% of the cases investigated at their agencies involved crypto, with an expectation that that will rise. Yet, 60% reported that they did not have sufficient technology to deal with high-level crypto threats. Ninety percent of those polled said their companies gave some form of crypto training, but 99% of respondents reported needing more. This presents an imperative issue for national security and one which would need to be dealt with to better counteract the money-fueled illicit enterprise of drug trafficking.

Solution 3: Third, China should lead an anti-trafficking initiative itself. Due to its BRI influence in the region, China can put pressure on SE Asia nations to crack down on drug trafficking, as well as put stricter regulations on internal Chinese exports. Additionally, the PRC could leverage its Health Silk Road (division of BRI), on the basis of the drug epidemic being a human security threat, to better train and fund LE training.⁴² For this to happen, the US-China relationship must be improved, and a consensus agreed upon as to China's role in the narcotics pipeline. It is naive to assume any one action would completely halt the increasing impact of OCGs and the drug pipeline; but implementation of a series of multi-dimensional approaches could meaningfully lessen the far-reaching effects of the current crisis.

Conclusion

The past decade has seen a significant uptick in fentanyl and meth being trafficked across the Pacific Ocean, effectively eroding human, economic, and political security. The Trans-Pacific narcotics pipeline will remain salient for the foreseeable future due to heightening globalization, persisting financial profits to OCGs, increasingly creative trafficking techniques, and continuing government inaction. In order to adequately address this issue, examinations of changes in methods and patterns of bad actors should be prioritized by impacted countries. With advancing technologies and new forms of digital finance, dark web drug trafficking is likely to become more frequent and difficult to detect. Trans-Pacific countries should prepare for the future of organized crime and drug trafficking to curb the devastating impacts it will have on human, economic, and political security.

⁴¹ "Chinese Businesses Fueling the Fentanyl Epidemic Receive Tens of Millions in Crypto Payments," Elliptic Research, May 23, 2023.

⁴² Wang and Lassi, "Incentivizing Narcotics Control Through China's Belt and Road Initiative in South and Southeast Asia."