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SUBJECT Illicit Opium Traffic Southeast Asia

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SUPPLEMENT TO REPORT NO.



A. INTRODUCTION

1. Most of the opium that enters into the illegal traffic in Southeast Asia is grown in Yunnan, the Shan States, northern Siam, Laos, and the Thai regions of Tonkin. (The Thai regions of Tonkin may be roughly bounded by the Red River, Hoa-Binh, the Laos frontier, Phong-Tho, and Lao-Kay.) Opium from Persia, although the mainstay of the legal consumption in Siam, is of little importance in the illegal traffic. Indian opium, sometimes considered a luxury product in Southeast Asia, enters into the illegal traffic in the area in far smaller quantities than that of the other regions. No reasonable estimate can be placed on the relative production of the various regions. There was considerable stimulus to production in Japanese occupied areas during the war and in areas occupied by Chinese troops after the war, especially Laos and Tonkin. The pre-war production figures in these areas should probably be increased due to this factor.
2. Most of the opium grown in Yunnan, the Shan States, northern Siam, Laos, and Tonkin is grown by hill tribes in mountainous and inaccessible regions in which suppression of cultivation would be very difficult even if it were seriously undertaken. The fact that the growers are generally members of hill tribes would add a special political difficulty to any suppression effort. The opium grown in these areas is usually sold in its "raw" form (a greyish resin) to legal purchasers, and in both its "raw" and "black" (prepared) form to illegal purchasers. Much the greater part of the opium sold to illegal purchasers is in the form of black opium prepared from raw opium by the cultivators themselves.
3. The only two countries in the region in which the consumption of opium is legal are Siam and Indochina. Even in these countries, however, a large amount of illegal opium is distributed in the divans of government concessionaires as it is more profitable to the concessionaires than the government opium, the price of which naturally includes a large profit to the government.

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- 4. The two great distribution points for illegal opium are Singapore and Hong Kong. Singapore distributes to Malaya, Indonesia, and other less important places. Hong Kong distributes to the whole of China and to Japan. The illegal traffic in the Indochinese Peninsula may be divided into two categories: (a) that which is destined for consumption in Siam and Indochina; and (b) that which goes abroad, especially through Singapore and Hong Kong.
- 5. Regarding the first category, the principal centers of consumption in Siam and Indochina are Bangkok, Saigon, and Hanoi. The principal sources of the opium consumed in Bangkok are Yunnan, the Shan States, and northern Siam. The most important route taken by the illegal traffic from Yunnan and the Shan States into Siam is via Mae Sai. 25X1X6
(This traffic is apparently enormous but there is no way of estimating its size.) The pilots of Siamese Airways purchase illegal opium in Chiangmai, Lampang, and other places in the north and bring it to Bangkok. Some illegal opium is also brought from Laos down the Mekong, and then transported via overland means to Ubol and to Bangkok. 25X1X6
(The sources of illegal opium consumed in Saigon and Hanoi will be discussed later in this report.)

B. THE ILLEGAL OPIUM TRAFFIC IN INDOCHINA

- 6. A strict definition of what is legal and what is illegal in the opium traffic in Indochina offers some difficulties. What is illegal from the French point of view is not necessarily so from the point of view of Ho Chi Minh's government and vice-versa. The following is an attempt to express the situation schematically:

	French Point of View	Point of View of the Ho-Chi-Minh Government
a. Production	Freely permitted to the hill tribes	Freely permitted to the hill tribes
b. Purchase from Growers	Permitted only to government monopoly	Permitted only to individuals and firms but is to some extent taxed and controlled. 25X1A6a (Source is uncertain on this point.)
c. Initial preparation	Permitted to cultivators	Permitted to cultivators
d. Final preparation	Government monopoly	Permitted and taxed
e. Transportation	Government monopoly	Permitted and taxed (?)
f. Wholesale distribution	Forbidden	Permitted and taxed (?)
g. Consumption	In divans operated by concessionaires	Forbidden to Vietnamese Permitted to Chinese
h. Export	Forbidden	Government inconspicuously engaged in export; encourages private firms, under gov't. blessing to export as source of foreign exchange

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The foregoing table must not be taken too literally but may serve as a general guide. In noting the applicability of this table, it must be remembered that: (a) the French control most of Laos, Cambodia, and the principal cities of Tonkin, Annam, and Cochinchina; and (b) Ho-Chi-Minh's government controls most of the countryside in Tonkin, Annam, and Cochinchina, but this control is not one hundred percent effective nor are the regions which are theoretically under Viet Minh control entirely inaccessible to the French for business purposes.)

7. The principal regions of production of the opium which enters into the illegal traffic in Indochina are Yunnan, Laos, and the Thai region of Tonkin. Laos, which is under French control, is a more important producer than the Thai regions of Tonkin which are largely under Viet Minh control.
8. The greater part of this opium is prepared by the cultivators and sold on the spot as "black" opium. There are a number of very large firms which are concerned in purchasing the opium. From the French point of view this activity is entirely illegal. The attitude of the Ho government is not certain but the general impression is that such firms are permitted, controlled, and taxed.
9. The most important traffickers are, to generalize somewhat, of two sorts:
 - (a) Large firms, of which the owners and employees include both Vietnamese and Chinese. They have branches in the principal cities of Indochina and sometimes in Hong Kong and China. They may also engage in other legal, quasi-illegal, and illegal businesses including gold and arms traffic. They may often have, partly as a cover and partly as a profitable business, an open and legal import-export business. In some cases these firms are well-known and apparently respectable.
 - (b) Corrupt officials and functionaries, both French and Vietnamese, of the French government monopoly or other government offices. While this category has conducted some sensational transactions, it is doubtless responsible for a much smaller total than the first category. These two categories are not necessarily separate, and may work in concert.
10. These purchasers may send their purchasing agents directly to the cultivators, as does the government monopoly, or else they may purchase the opium in certain centers. Opium is transported to these centers by an immense number of individuals operating more or less independently. These centers include the following:
 - a. Yunnan: Mengtze, and various towns in the Mengtze area
 - b. Laos : Xieng-Khoang, and various towns in that area; possibly also some towns in the Muang-La area
 - c. Tonkin: Son-La, Dien-Bien-Phu, and Lai-Chau
11. There are two principal outlets, one in the north, the other in the south. For the northern outlet, the following is the broad outline:

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- a. After the opium has been purchased either from the cultivators or from the small smugglers in the various centers listed in the preceding paragraph, a second centralization takes place in the "Region Moyenne" of Tonkin. The two most important points of this second centralization are:
- (1) Yen-Bay, for opium which has arrived from Yunnan or from the northern parts of the Thai region via Lao-Kay.
 - (2) Hoa-Binh, for opium which has arrived from Laos or from the southern parts of the Thai region via Son-La.
- b. From Yen-Bay, opium is distributed to:
- (1) The towns along the Chinese frontier (of which Cao-Bang and Lang-Son are the most important) for local consumption;
 - (2) Cao-Bang and Lang-Son for export overland into Kwangsi and Kwangtung.
- c. Means of transport are extremely varied and include trucks, wagons, pack animals, and human carriers. The traffickers often travel in bands of twenty or thirty. If two rival bands meet, there is usually a fight. One band attacks the other for two purposes, to seize the opium belonging to the rival band and to eliminate the possibility of exposure by killing the members of the other band.
- d. Opium is distributed to Hanoi, Haiphong, and the cities of the delta for local consumption from both Yen-Bay and Hoa-Binh. A large quantity of opium formerly passed to the coastal towns of Tonkin, especially Haiphong, Hongay, Tien-Yen, Moncay, for export by sea to Hong Kong and China.
- e. Present political and military conditions have not greatly modified the traffic on the route via Yen-Bay to the Chinese frontier. The traffic to the delta area and the coastal cities of Tonkin for export to China has been considerably diminished by current conditions which involve the necessity of passing successively through a number of zones held by the French and the Viet Minh. This traffic, however, has not entirely ceased. It is now conducted principally by Chinese (merchants, farmers, railway workers).
- f. The diminution of the traffic in the delta area of Tonkin is compensated by a great increase in the traffic from Hoa-Binh and directly from northern Laos to Thanh-Hoa. The routes taken by this traffic are tracks rather than roads. The opium is transported principally by pack animals and by human carriers. This traffic is almost exclusively destined for export. Export is by junk from Thanh-Hoa and a number of small and obscure ports in the Thanh-Hoa area. The junks take the opium to ports along the South China coast as well as Hainan, Macao, and Hong Kong.
- g. The To-Fi, Chinese bandits, play an important part in the traffic via Yen-Bay eastward to the Chinese frontier. The Viet Minh find it advantageous to remain on good terms with these bandits and to use them as allies. In order to maintain cordial relations with them, the Vietnamese Government allows them a certain amount of freedom in opium trafficking. The To-Fi, however, play no part in the traffic via Thanh-Hoa, a region in which they are practically non-existent.

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12. The following is the broad outline of the southern outlet traffic:

a. This outlet is more important than the northern one as regards opium to be consumed in Indochina because of the fact that the Chinese population of southern Indochina is more numerous than that of northern Indochina. It is, however, much less important as an outlet for export.

b. The principal source of opium involved in this traffic is Laos. The most important points of initial centralization are in the neighborhood of Vientiane.

c. The routes used for transport to the southern areas are mainly the Mekong River and the roads and paths which parallel various portions of the river both in Siam and Indochina. Means of transport include sampans, pirogues, and small launches on the river; truck, wagon, pack-animals, and human carriers along the neighboring roads.

d. A partial distribution of the opium takes place en route. A certain amount of opium leaves the route in the neighborhood of Thakek and goes to Siam (Sakol Nakorn, Korat, Bangkok, etc.). Some opium leaves the route at Kratie and is distributed for local consumption in Cambodia.

e. The main traffic leaves the Mekong at Kratie and goes to the Saigon-Cholon region by road. Some of the opium is distributed along the way. The greatest portion goes to the Saigon-Cholon area where most of it is consumed locally.

f. Some opium is illegally exported to China, Hong Kong, Singapore, and Bangkok from Saigon. The amount involved is relatively small.

There are reports which indicate that illegal cocaine is brought to Bangkok from Saigon via Air France and Siamese Airways, and that one of the principals involved in this traffic is Le Thanh Nhan, alias Trinh, Vietnamese agent of the French in Bangkok.

Another reportedly involved in this traffic is Nai Vikrom Ninnad, Siamese vice consul in Saigon. The information concerning Nai Vikrom Ninnad is, however, unclear and may refer to a worker in the consulate rather than the vice consul himself.)

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13. As opium has many of the aspects of ready cash in Southeast Asia, it is a subject that profoundly affects political life. The French authorities are not unaware of this fact. They have made use of it (a) in order to persuade certain Chinese to work for the French; and (b) for certain French individuals to profit by the connivance of the French authorities in the opium business. There have been many reports which indicated how opium is used by the Viet Minh as currency and a source of foreign exchange. The arrest of Nguyen-Duc Thuy, Viet Minh representative in China, while carrying opium to be used as a sort of travellers checks is an example of this. The French have succeeded to some extent in interfering with the Viet Minh overland opium traffic to China (via Cao-Bang, Mon-Gay, etc.). They have, however, had absolutely no success in impeding the sea-traffic via Thanh-Hoa. The importance of the latter traffic has completely overshadowed the overland route. According to one source, Thanh-Hoa is about the only place in the Viet Minh zones where American cigarettes are available; the last outpost of the foreign world before entering the austerity zones. The availability of American cigarettes in this city suggests a flourishing trade in some export commodity. It would appear that this commodity is certainly opium.)

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