

The "Drug Money"—How Much and to Whom?

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The illegal drugs trade in Thailand is said to be large. But just how large is it? This paper is a first attempt by TDRI to determine the overall size of this trade. From a researcher's point of view, it is useful to be able to have a picture of the order of magnitude of each drug involved, before the much needed work on the economics of this industry is thoroughly considered.

From the point of view of policy-makers, who are not directly involved in the narcotics suppression effort, there are many reasons to be aware of drugs by order of financial magnitude. Many countries in Latin America, for example, have had their social and political systems undermined by the large volumes of money obtained in the trade. In many cases, it has proven difficult for these countries to pursue effective economic and monetary policies in the face of the huge transactions involved in the drug trade. Even from the point of view of the narcotics suppression officers themselves, though they are the sources of many of the figures presented below, our estimates may provide some useful indicators as to where the profits of the trade lie.

This first look at the problem is necessarily crude. It is immediately obvious that accurate statistics on the trade are impossible to obtain, and, not being adventurous souls, we did not conduct field studies to obtain or verify our statistics. Consequently, the best that we can provide is to merely give the order of magnitude involved, based on secondary estimates supplied mainly by the narcotics suppression authorities. The accuracy of each of our estimates does not extend beyond the figures given, with the exception perhaps of the prices at which drugs are bought and sold at different levels of the marketing chain.

Three major groups of drugs are examined in this essay: opium and its derivative, heroin; marijuana; and amphetamines. These three groups have different economic characteristics.

Opium/Heroin: Thailand used to produce and export considerable volumes of opium and heroin. In recent years, however, domestic production has declined considerably, from close to 200 tons to a level fluctuating between 30 and 50 tons, most of which is now thought to be consumed by the growers themselves. On the other hand, the transportation routes for part of the opium and heroin grown or processed in neighboring countries still pass through Thailand. More importantly, the level of heroin consumption within Thailand is also very large: in our estimate, about five times the volume exported. Indeed, in opium-equivalent terms (i.e., combining the opium with the heroin converted to the amount of opium necessary to produce it), Thailand is almost certainly a net importer of opium. In income terms, however, it is also almost certainly a net earner of foreign exchange because, as we shall see, it is the trade rather than the production that determines the amount of income from drugs.

Marijuana: The story for marijuana is similar to that of opium. Again, our sources believe that the tonnage grown domestically is considerably less than that imported from neighboring countries. Thailand is therefore probably a net importer of the crop, although the relative order of magnitude of these two crops differs, with the tonnage of exported marijuana being almost six times the tonnage consumed domestically.

Amphetamines: Conceptually, the problem of amphetamines is relatively simple and straightforward. The entire amount of amphetamines consumed domestically is produced using imported raw materials. Apparently, the technology to produce these raw materials is relatively simple, but, for reasons we have been unable to fathom, domestic compounders prefer to import them.

The relative figures for the physical movement of the drugs is shown in [Table 1](#), which also gives our estimates for 1989.

Turning now to the value in baht of these transactions, the picture becomes vastly different. Consider opium. The main explanation for trading rather than producing this crop is the enormous profits made. In the North of Thailand opium is bought and sold at 400 to 800 baht a kilogram. Ten kilograms of opium are required to produce one kilogram of heroin, which makes the opium cost of a kilogram of heroin about 4,000-8,000 baht. This amount of heroin when bought or sold on the Bangkok wholesale market costs about 160,000-180,000 baht, but on the retail market it fetches upwards of 200,000 baht, the value of acetic anhydride, the other raw material used in heroin production, also being quite small.

The profit margins in marijuana are less dramatic, with the relative difference between Northeastern and Bangkok prices being "only" about two to three times (400-800 baht a kilogram versus 1,200-1,500 baht).

However, these domestic margins, enormous as they are, pale into insignificance when compared to the margins made in the overseas trade. A kilogram of heroin worth 200,000 baht in Bangkok fetches 2.6-5.5 million baht in the U.S. It is clear, therefore, that control of the international trade in drugs would lead to massive incomes.

This is indeed what our final set of figures indicates. The top panel of [Table 2](#) shows the total revenue from the drugs trade. We have divided the figures into those obtained from the trade in domestically-consumed drugs and those obtained from drugs consumed abroad, but at some stage passing through Thailand. The bottom panel of the same table indicates the income made only by the traders who, of course, capture the lion's share of the revenue reported in the top panel.

In one respect, the figures for the bottom panel underestimate the true figures, in that those for one important group of intermediaries are omitted, namely the heroin processors. The "traders' profit margins," reported in the bottom panel, account only for the income from heroin that accrues to the traders after they have left the processing laboratories. We would like to venture a guess that processors probably made something in the order of 10 billion baht during 1989, but we would warn readers that, at this stage, this is even more of a guess than the other figures reported here.

One important finding from [Table 2](#) is the importance of the heroin trade. It easily dominates all other drugs, both domestically and internationally, followed by marijuana, whose domestic trade is relatively small, but whose international trade is substantial. We had expected to find the trade in amphetamines to be large, but from the available figures, this does not appear to be the case. We admit that there is a distinct possibility that we have seriously underestimated amphetamine consumption, particularly by casual users such as agricultural laborers at harvest time or students during the examination period.

One clear finding is that the revenue made on the international leg of the trade far outweighs that from the domestic trade. Although readers may be curious to know how much of the revenue made from the international drug trade falls to Thai traders, the question of which country or nation makes what is almost impossible to answer, and we do not attempt to do so here. Of all businesses, it is hard to conceive of any that is more multinational in character. We merely wish to point out that, while financially the international drug trade is important and its financial clout may end up disturbing an economy greatly, it cannot be overlooked that in physical consumption, the domestic trade is by far the larger. And it is the physical taking of drugs that actually kills people, not the money that is made from them.