

## I. Introduction

1. The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988<sup>1</sup> provides for measures to prevent the diversion of substances frequently used in the illicit manufacture of drugs. The International Narcotics Control Board monitors the control by Governments over precursor chemicals and assists them in preventing the diversion of those chemicals into the illicit traffic.

2. The present report on precursors has been prepared by the Board pursuant to article 23 of the 1988 Convention. Substantive reporting begins in chapter II, which provides statistical data and other information on action taken by Governments and the Board pursuant to article 12 of the 1988 Convention. This includes the utilization of the Pre-Export Notification Online (PEN Online) system and the results of task force operational support under Project Prism and Project Cohesion. Chapter III provides details of the extent of legitimate trade in precursor chemicals and the latest major trends in the trafficking and illicit use of those chemicals, highlighting the most relevant cases involving suspicious and stopped shipments and diversions or attempted diversions of those chemicals from international trade, as well as seizures of those chemicals.

3. Chapter IV, entitled “Challenges in international precursor control”, builds on the 2011 report on precursors and provides a thematic examination of the future of precursor control. It also provides a detailed analysis of the existing control gaps and an outline of future challenges to precursor control. Chapter V provides recommendations to Governments on effective precursor control at the national and international levels.

4. Annexes I-XI provide updated, practical information to assist competent national authorities in carrying out their functions, including information on estimated annual legitimate requirements for the import of selected substances frequently used in the illicit manufacture of amphetamine-type stimulants, a list of Governments that require pre-export notifications, information on the use of scheduled substances in illicit drug manufacture and a summary of applicable treaty provisions. Annexes I-VI can be found in the printed copy, while all annexes are available in the CD-ROM version of the report and online from the Board’s website ([www.incb.org](http://www.incb.org)).

<sup>1</sup> United Nations, *Treaty Series*, vol. 1582, No. 27627.

## II. Action taken by Governments and the International Narcotics Control Board

### A. Adherence to the 1988 Convention

5. As at 1 November 2012, the 1988 Convention had been ratified, acceded to or approved by 187 States and formally confirmed by the European Union (extent of competence: article 12).<sup>2</sup> Following the issuance of the Board’s 2011 report on precursors, the Holy See, Nauru and Niue became States parties to the 1988 Convention.<sup>3</sup> Of the nine States that have yet to become parties to the 1988 Convention,<sup>4</sup> five are in Oceania (see annex I). The Board urges the nine States that have yet to become parties to the 1988 Convention to implement the provisions of article 12 and accede to the Convention without further delay.

### B. Reporting to the Board pursuant to article 12 of the 1988 Convention

6. Governments are obliged to report annually on substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances. That information, which is submitted on form D, is subsequently used to identify regional and global patterns and trends. As at 1 November 2012, a total of 129 States and territories had submitted form D for the year 2011 (see annex VII). Some Governments continue to miss the reporting deadline of 30 June, fail to report altogether, submit blank forms or only provide partial information, thus making it difficult to accurately assess the global situation with regard to the diversion of precursor chemicals. For example, six States parties to the 1988 Convention (Burundi, Gabon, Liechtenstein, Marshall Islands, San Marino and Somalia) have never submitted form D to the Board, while an

<sup>2</sup> The Single Convention on Narcotic Drugs of 1961 as amended by the 1972 Protocol and the Convention on Psychotropic Substances of 1971 each have 183 States parties.

<sup>3</sup> The Holy See ratified the 1988 Convention on 25 January 2012, Nauru acceded to it on 12 July 2012 and Niue acceded to it on 16 July 2012. For the Holy See, the Convention entered into force on 24 April 2012; for Nauru, on 10 October 2012; and for Niue, on 14 October 2012.

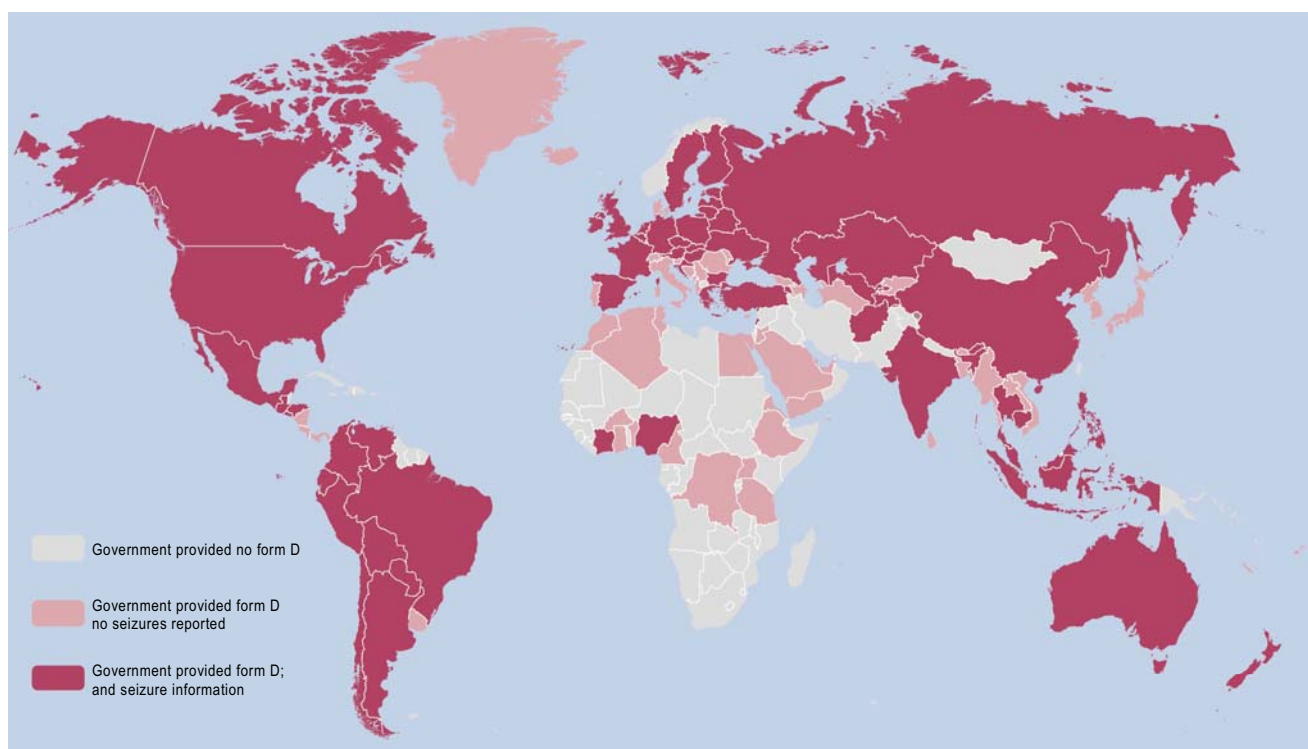
<sup>4</sup> Equatorial Guinea, Kiribati, Palau, Papua New Guinea, Solomon Islands, Somalia, South Sudan, Timor-Leste and Tuvalu.

additional 20 States<sup>5</sup> have not submitted form D in the past five years. The Board wishes to remind all States parties that reporting pursuant to the 1988 Convention is not an option but an obligation and that they are to complete and submit the latest version of form D in a timely manner. The latest version of form D is available in all six official languages of the United Nations from the Board's website ([www.incb.org](http://www.incb.org)). The Board stands ready to assist any Government in meeting its obligations under the 1988 Convention.

7. Of the 129 Governments that had submitted form D as at 1 November 2012 (see map 1), 59 (46 per cent of responding Governments) had reported seizures of

substances in Table I or II in 2011. (For details on substances in Table I and Table II reported seized by region, see annex VIII.) Thirty-nine (30 per cent) of Governments had also reported seizures of substances not in Table I or II. However, details regarding seizures — such as methods of diversion, stopped shipments or illicit manufacture of substances — are often not reported, and that hampers the ability of the Board to identify and analyse emerging trends in trafficking in precursors and illicit manufacture of drugs. The Board wishes to remind Governments effecting seizures of their obligation to provide comprehensive, mandatory information on methods of diversion, stopped shipments and the illicit manufacture of substances.

**Map 1. Governments submitting form D and those providing seizure data for 2011**  
(As at 1 November 2012)



### C. Legislation and control measures

8. In accordance with Economic and Social Council resolution 1992/29, the Board collects information on the specific controls applied to the substances in Table I and

Table II of the 1988 Convention and maintains a directory of those requirements to assist Governments in monitoring trade in controlled chemicals. Since November 2011, several changes in control measures exercised by Governments have been brought to the attention of the Board.

<sup>5</sup> Antigua and Barbuda, Bahamas, Barbados, Comoros, Djibouti, Grenada, Guinea, Kuwait, Lesotho, Libya, Mali, Micronesia (Federated States of), Nepal, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Samoa, Sierra Leone, Sudan, Suriname and Togo.

9. In March 2012, the Board signed a memorandum of understanding with the World Customs Organization. The agreement institutionalizes the Board's constructive and longstanding cooperation with that Organization. One area

of cooperation has been the establishment of unique Harmonized Commodity Description and Coding System codes for pharmaceutical preparations containing ephedrine and pseudoephedrine, with a view to strengthening the monitoring of international trade in those preparations. Until those codes for pharmaceutical preparations containing ephedrine and pseudoephedrine are adopted by the World Customs Organization, the European Commission has introduced codes for pharmaceutical preparations containing ephedrine, pseudoephedrine and norephedrine as part of the amended Combined Nomenclature for 2013. Those codes will be applicable in January 2013. The Board encourages States and regions to follow that example by introducing interim codes in order to be able to monitor shipments of, and prevent the diversion of, such pharmaceutical preparations.

10. The Russian Federation decided that, starting in July 2011, preparations containing small quantities of precursors should be controlled by the same control measures that apply to the precursors themselves; the decision exempts pharmaceutical preparations containing precursors in combination with other active pharmaceutical substances but prohibits their transfer by mail and governs their issuance to individuals.

11. In New Zealand, the Misuse of Drugs Act 1975 was amended to reclassify ephedrine and pseudoephedrine, making them available only with a prescription from a medical practitioner starting in September 2011.

12. In January 2012, Uruguay classified pharmaceutical preparations containing ephedrine or pseudoephedrine as psychotropic or narcotic pharmaceuticals, requiring a prescription; the decree limits the import and export of ephedrine and pseudoephedrine, as well as semi-finished and final products containing them, to registered pharmaceutical manufacturers and requires a valid import or export authorization to be available.

13. Ukraine further strengthened the control of preparations containing ephedrine and pseudoephedrine for human and veterinary use by reducing the content of pseudoephedrine in preparations from 60 to 25 mg, effective March 2012; exceptions to this regulation require a special licence.

14. The Government of Thailand notified the Board that, since April 2012, all pharmaceutical preparations containing ephedrine and pseudoephedrine have been classified as psychotropic substances in category II of the Psychotropic Substances Act and, consequently, cannot be sold by pharmacies and can be provided only by licensed government and private hospitals and private clinics,

which are required to submit monthly reports that are strictly monitored by the competent national authorities in Thailand.

15. In its efforts to deter illicit drug production, China informed the Board in June 2012 that it had clarified laws applicable to pharmaceutical preparations containing ephedrine.<sup>6</sup> Persons found to have supplied ephedrine preparations for illicit trade or to have extracted ephedrine or pseudoephedrine from such compounds are considered to have committed a crime. The severity of the sentence is dependent upon the quantities of substance extracted. China reported that since September 2012, pharmacies have been required to check and register the identity of people purchasing medicines containing ephedrine. The new controls limit the maximum amount of individual purchases of these substances. The Government has also applied stricter market admittance requirements for new medicines containing ephedrine.

16. Since June 2012, the Republic of Korea has applied a scheme requiring approval by the Korea Food and Drug Administration prior to importing, exporting and manufacturing ephedrine and pseudoephedrine, which limits the export of those substances in the form of pharmaceutical preparations.

17. In its 2009 report on precursors,<sup>7</sup> the Board encouraged the European Commission and States members of the European Union to introduce appropriate remedial measures to control the movement of acetic anhydride. The Board acknowledges the action taken by the European Commission, which in September 2012 made a proposal to the European Parliament and the Council of the European Union to amend current European Union legislation on precursors. The proposal is aimed at strengthening controls over inter-communitarian trade in acetic anhydride. The European Commission also proposed new legislative measures for the monitoring of international trade in pharmaceutical preparations containing ephedrine and pseudoephedrine. The Board encourages the European Union to bring to a conclusion those efforts directed at preventing diversion and use of precursor chemicals in the illicit manufacture of drugs.

---

<sup>6</sup> These include pharmaceutical preparations containing ephedrine, pseudoephedrine, norephedrine or their salts, including in the form of extracts or extract powder.

<sup>7</sup> *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2009 on the Implementation of Article 12 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988* (United Nations publication, Sales No. E.10.XI.4), para. 95.

## D. Submission of data on licit trade in, uses of and requirements for precursors

18. In accordance with Economic and Social Council resolution 1995/20, parties to the 1988 Convention provide data on their licit trade in, uses of and requirements for substances in Table I and Table II of the Convention. As at 1 November 2012, 109 States and territories had provided information on licit trade in those substances, and 101 had furnished data on licit uses of and requirements for those substances (see annex IX). The provision of those data, while voluntary, enables the Board to identify normal patterns in legitimate international trade in substances under international control, thereby preventing their diversion. The Board requests all parties to the 1988 Convention to provide comprehensive data on trade in those substances, in accordance with Council resolution 1995/20.

## E. Annual legitimate requirements for the imports of precursors of amphetamine-type stimulants

19. In its resolution 49/3, the Commission on Narcotic Drugs requested Member States to provide the Board with annual estimates of their legitimate requirements for the imports of four substances frequently used in the manufacture of amphetamine-type stimulants: 3,4-methylenedioxyphenyl-2-propanone (3,4-MDP-2-P), pseudoephedrine, ephedrine and 1-phenyl-2-propanone (P-2-P), and, to the extent possible, estimated requirements for imports of preparations containing those substances that can be easily used or recovered by readily applicable means.

20. As at 1 November 2012, 150 Governments had provided such estimates for at least one substance. That constitutes a notable increase in reporting since the Board published its 2011 report on precursors. Eight States<sup>8</sup> and four territories<sup>9</sup> provided such information for the first time. The estimated annual legitimate requirements submitted by States and territories as at 1 November 2012 are provided in annex II and are regularly updated on the Board's website.

21. As recommended by the Board, many Governments revise their estimates of annual legitimate requirements each year to reflect changing market conditions. The Governments of India and Singapore both provided

substantially revised estimates for 2012. The Board calls upon Governments, especially those with significant trade (including re-exports) involving the substances 3,4-MDP-2-P, pseudoephedrine, ephedrine and P-2-P and their preparations, to exercise continuing vigilance to ensure that their estimates of annual legitimate requirements are commensurate with prevailing market conditions.

22. The Board continues to be concerned about relatively high annual legitimate requirements for imports of ephedrine and pseudoephedrine, as well as multiple seizures of ephedrine in 2010 and 2011, destined for several countries in high-risk parts of Asia. Since March 2012, the alleged diversion of significant amounts of ephedrines in Pakistan has led to high-profile investigations in the country. In Pakistan, according to national regulations, 500 kg is the maximum annual quota issued to each pharmaceutical company for the manufacture of pharmaceutical preparations containing ephedrine. However, court filings allege that some companies were allotted quotas exceeding that amount. Such allegations, if substantiated, would raise questions about the destination of the substance and the legitimacy of its end use.

23. Thailand has significantly revised downward its annual legitimate requirement for the import of pseudoephedrine (from 38.5 to 12 tons) after it was determined that large numbers of tablets containing pseudoephedrine had been disappearing from hospitals. The Board encourages all Governments that have identified significant diversion of precursor chemicals of amphetamine-type stimulants to re-evaluate their annual legitimate requirements for the import of those chemicals and to inform the Board about changes to their annual legitimate requirements without delay.

## F. Controls over international trade

### 1. Export authorizations systems for precursors

24. Traffickers try to exploit weak areas of systems for regulating the export and import of internationally controlled substances. While the majority of Governments have controls in place, the controls are not uniform in nature. Some Governments do not apply any system for authorizing the export of certain precursors listed in Table I and Table II of the 1988 Convention. Others base the export authorization solely on the issuance of a general permit. About 30 Governments had either no controls or required only a general permit for the export of substances in Table I and Table II. About 70 Governments required specific export licences for all substances in both Tables.

<sup>8</sup> Bolivia (Plurinational State of), Brunei Darussalam, Eritrea, France, Japan, Maldives, Qatar and Tunisia.

<sup>9</sup> Curaçao, Faroe Islands, Greenland and Norfolk Island.

25. States that have no controls or require only general permits for the export of substances in Table I and Table II may not be in a position to comply with their obligation under article 12, paragraph 10 (a), of the 1988 Convention to provide notifications to importing countries prior to exporting precursors. The Board therefore urges all Governments to ensure that they are informed of any proposed export of precursors and are able to provide pre-export notifications, particularly to the importing countries that have officially requested such notifications.

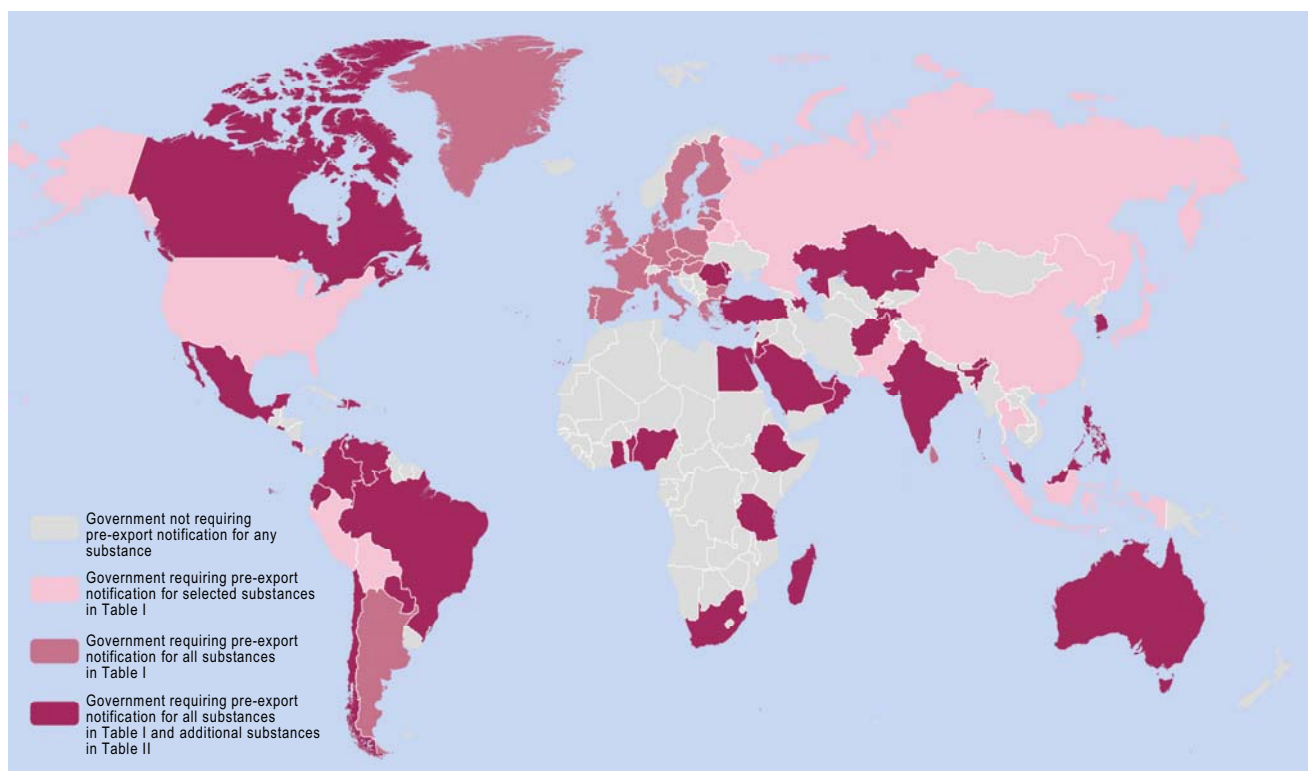
## 2. Pre-export notifications

26. To help prevent trafficking in precursor chemicals under international control, Governments of importing countries may require exporting countries to inform them of exports before they are shipped. This can be done by invoking article 12, paragraph 10 (a), of the 1988 Convention. The Board reminds the Governments of

all countries exporting scheduled chemicals to countries that have invoked article 12, paragraph 10 (a), of their obligation to notify the authorities of the importing country about the shipment of exports prior to the departure of the shipments and furthermore recommends using the PEN Online system for such notifications.

27. As at 1 November 2012, only 78 States and 2 territories had formally requested pre-export notifications (see map 2 and annex X). Since the Board's 2011 report on precursors was published, the Government of Chile has invoked article 12, paragraph 10 (a), of the 1988 Convention and required notification for the export of all substances in Table I and Table II prior to export. The Board calls upon all Governments to invoke the provisions of article 12, paragraph 10 (a), of the 1988 Convention without further delay. In addition, the Board strongly encourages interested Governments and organizations to use bilateral, regional and multilateral initiatives to help Governments invoke those provisions for all scheduled substances.

**Map 2. Governments invoking article 12, paragraph 10 (a), of the 1988 Convention, requiring pre-export notification for selected substances<sup>a</sup>**  
(As at 1 November 2012)



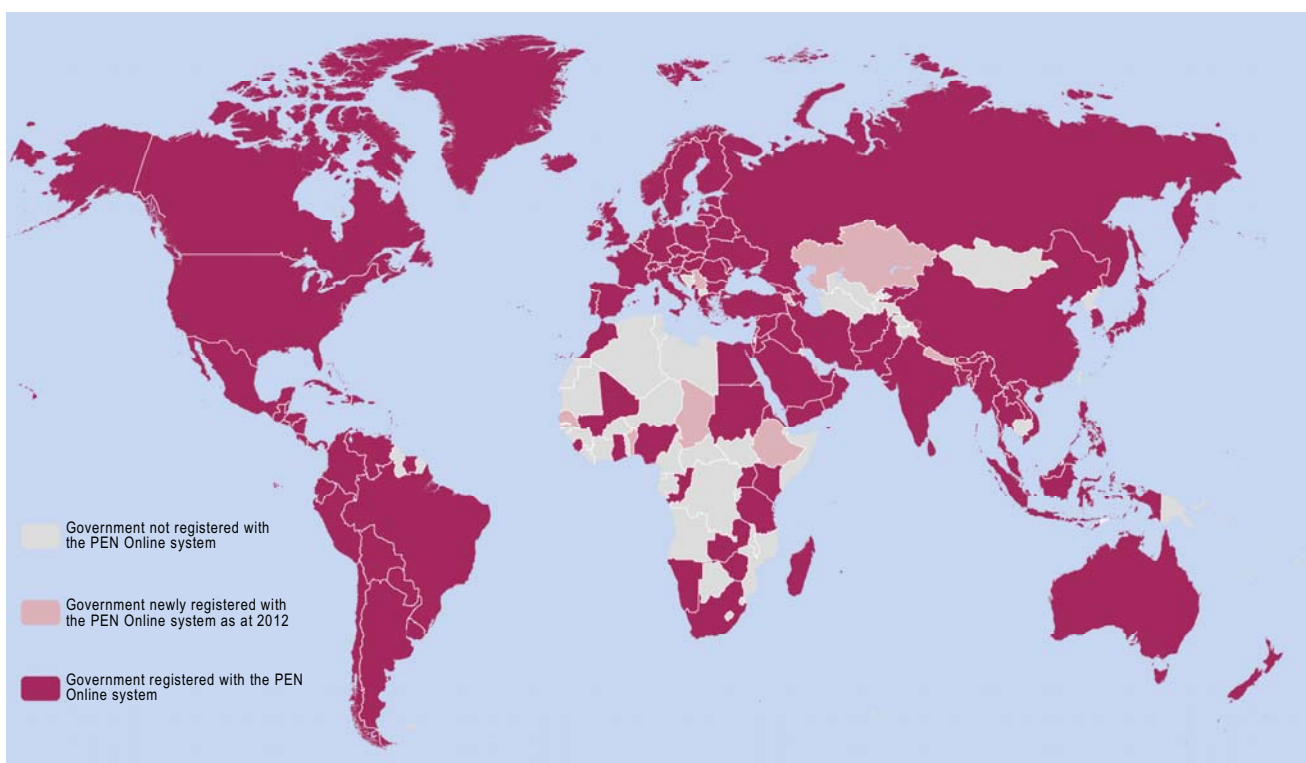
<sup>a</sup> For details, see annex X to the present publication.

### 3. PEN Online

28. The PEN Online system, launched in March 2006, is a tool that makes it possible for the competent national authorities of exporting and importing countries to securely communicate international trade. The information shared through PEN Online enables assessment of licit trade at the country and company levels. The information assists the competent national authorities, and the Board, in identifying and confirming the legitimacy of individual shipments of precursors and enables suspicious shipments to be suspended or stopped in an efficient and timely manner.

29. As at 1 November 2012, 136 countries and territories had registered to use PEN Online (see map 3). Since the Board's 2011 report on precursors, Armenia, Benin, Chad, Ethiopia, Kazakhstan, Nepal, Qatar, Senegal and Serbia, as well as the British Virgin Islands, have registered to use the PEN Online system. On average, more than 1,800 pre-export notifications are communicated through the system every month. The Board encourages all Governments to actively review the pre-export notifications sent to them and to communicate with each other via the PEN Online system so that the flow of legitimate trade in chemicals can be maintained.

**Map 3. Governments registered with the Pre-Export Notification Online (PEN Online) system (As at 1 November 2012)**



30. Nearly all Governments that engage in significant trade in precursors do so using the PEN Online system. Each year, more Governments are using the system and more pre-export notifications are being issued and reviewed through the PEN Online system. However, a number of registered Governments do not utilize the system or fail to use it for every chemical transaction. The Board urges Governments that have already registered with the PEN Online system to make use of the system for every transaction involving precursors. In cases in which there are any grounds for suspicion, exporting countries

are encouraged to release shipments only upon official confirmation from the competent authority of the importing country. Importing countries are reminded to use the reply function of the PEN Online system (rather than sending e-mails or faxes) to provide any necessary feedback, in order to ensure an unbroken chain of monitoring throughout the system.

31. As noted by the Board in its prior reports on precursors, timely submission of notifications and subsequent feedback are fundamental elements of the

PEN Online system. However, some countries continue exporting chemicals before sending a pre-export notification. In other cases, chemicals are being shipped without providing enough time for the importing country to review the pre-export notification. For example, in the United States of America, national legislation allows for the concept of “regular customer” status to be given to the foreign importing company when an established business relationship exists, with the rationale that the bona fides of the importer have already been verified so there is no reason to wait for pre-export review.<sup>10</sup> Experience has shown, however, that traffickers of precursors use legitimate companies for illegitimate transactions. The recommended practice is to provide 5-14 days from the time of export notification to the time when the consignment departs from the exporting country. The Board reminds Governments of exporting countries of their obligation under article 12 of the 1988 Convention to provide notification regarding exports of chemicals before such exports depart from their territory. Governments are also encouraged to respond by the verification deadline when denying authorization for a shipment. If more time is needed for the verification of a particular transaction, the competent authorities of the importing country should inform the exporting country and ask it to delay the delivery of the shipment, pending the outcome of the verification.

32. While Taiwan Province of China continues to be one of the world’s largest traders in some scheduled precursors, no relevant trade information is provided to the Board. It appears that Taiwan Province was among the top five traders of ephedrine (in terms of the overall trade volume) and was ranked as the world’s third largest exporter of pseudoephedrine in 2010. The Board is also aware that the provincial authorities have routinely made significant seizures of ephedrine, pseudoephedrine and norephedrine and have dismantled large-scale illicit methamphetamine laboratories. This situation continues to be of serious concern to the Board as it represents a significant weakness in the international drug and chemical control system. The Board therefore reiterates its invitation to the Government of China to work with the Board to devise appropriate ways and means of addressing pre-export notifications, suspicious shipments and chemical diversion cases related to Taiwan Province of China.

## G. Activities and achievements under Project Prism and Project Cohesion

33. Project Prism and Project Cohesion, two international initiatives of the Board, serve as communication platforms

for the monitoring of chemical transactions and for launching targeted, time-bound operations. Participants in Project Prism and Project Cohesion continued to be alerted to suspicious shipments, actual and attempted diversions, as well as emerging precursors. A meeting of the joint task forces of Project Prism and Project Cohesion was held in Lyon, France, in July 2012.

34. Operation Ephedrine and Pseudoephedrine Intelligence Gaps in Africa (Operation EPIG), an activity under Project Prism, was launched on 1 June 2012 and ended on 31 August 2012. It was the first intelligence-gathering operation to focus on ephedrine and pseudoephedrine trade and diversion specifically in Africa. It involved the participation of 51 countries. The aim of the operation was to gather strategic information on the licit trade and trafficking in and illicit use of ephedrine and pseudoephedrine, including in the form of pharmaceutical preparations, in countries in Africa. Limited law enforcement and regulatory capacity of many of the countries in the region makes it extremely difficult to gather valuable intelligence.

35. Operation Pila ended on 31 March 2010. Since then, however, there has been a decrease in ephedrine and pseudoephedrine cases involving Mexico and Central American countries in line with the shift in those countries — from the use of ephedrine and pseudoephedrine to the use of P-2-P — in illicit methamphetamine manufacture; at the same time, there has been an increase in ephedrine and pseudoephedrine cases involving Asian countries. Since the Board’s 2011 report on precursors was published, eight communications have been issued to alert Governments to seizures or stopped shipments involving 2.5 tons of P-2-P, 1.5 tons of bulk ephedrine and 2.7 tons of ephedrine and pseudoephedrine in the form of pharmaceutical preparations. Between April 2010 and August 2012, a total of 35 post-operational communications were issued, resulting in 95 tons of precursor chemicals having been stopped or seized: 44 per cent (42 tons) of the chemicals were in the form of *Ephedra* and *Ephedra* plant products, 8.8 tons were ephedrines in bulk, more than 24 tons were ephedrine and pseudoephedrine in the form of preparations and 2.5 tons were P-2-P (see map 4).

36. Information received during the post-operation period of Operation Phenylacetic Acid and Its Derivatives (Operation PAAD) suggests that there has been a discernible drop in the number of seized shipments of phenylacetic acid and its esters and the amounts seized. The decrease in activity may be partly attributable to changes in trafficking routes (e.g. using Central America and the Caribbean as a transit area (see map 5)), the diversification of sources (e.g. India and South Africa) and

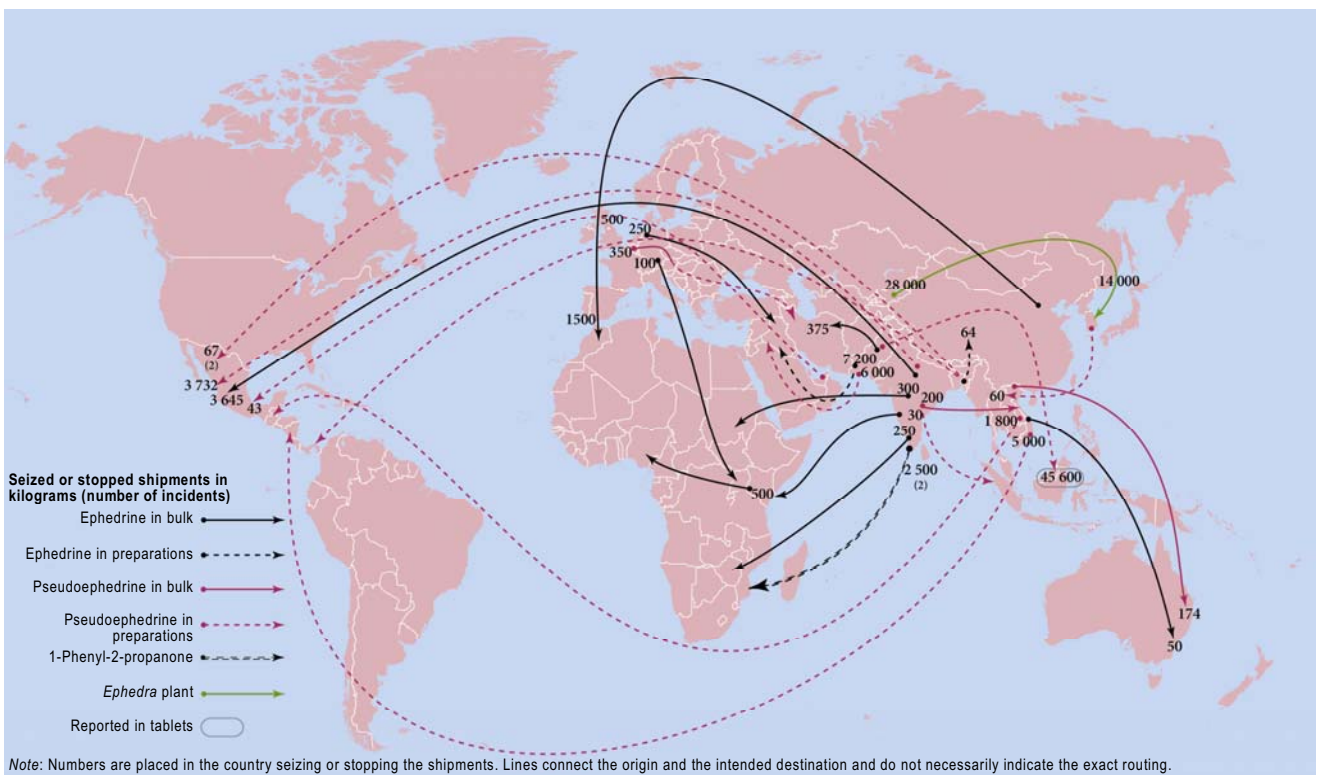
<sup>10</sup> United States of America, Code of Federal Regulations (§ 1313.24).

the emerging use of other substances as alternatives to esters of phenylacetic acid in the illicit manufacture of methamphetamine (see para. 89 below). Another likely scenario includes considerable amounts of esters of phenylacetic acid, which may also have been already stockpiled for future use, as considerable amounts of methylamine (an essential chemical that, together with phenylacetic acid, is required for the illicit manufacture of methamphetamine) continue to be seized throughout North America and Central America (see para. 56 below).

37. International cooperation to counter trafficking in non-scheduled chemicals is increasing. In 2011, successful

backtracking investigations at one of the largest clandestine laboratories ever dismantled in Mexico indicated that several large shipments of non-scheduled esters of phenylacetic acid were trafficked through the territory of the United States during 2011 and 2012. China stopped a shipment of 15 tons of esters of phenylacetic acid in August 2012, after Guatemalan authorities informed the Board that the company involved did not exist. The Board notes that the Government of China has stopped shipments of non-scheduled substances that were likely to be used for illicit drug manufacture and encourages other Governments to follow that example.

**Map 4. Post-Operation-Pila communications identifying trafficking routes, seizures and stopped shipments of substances, April 2010-October 2012**



## H. Precursors Incident Communication System

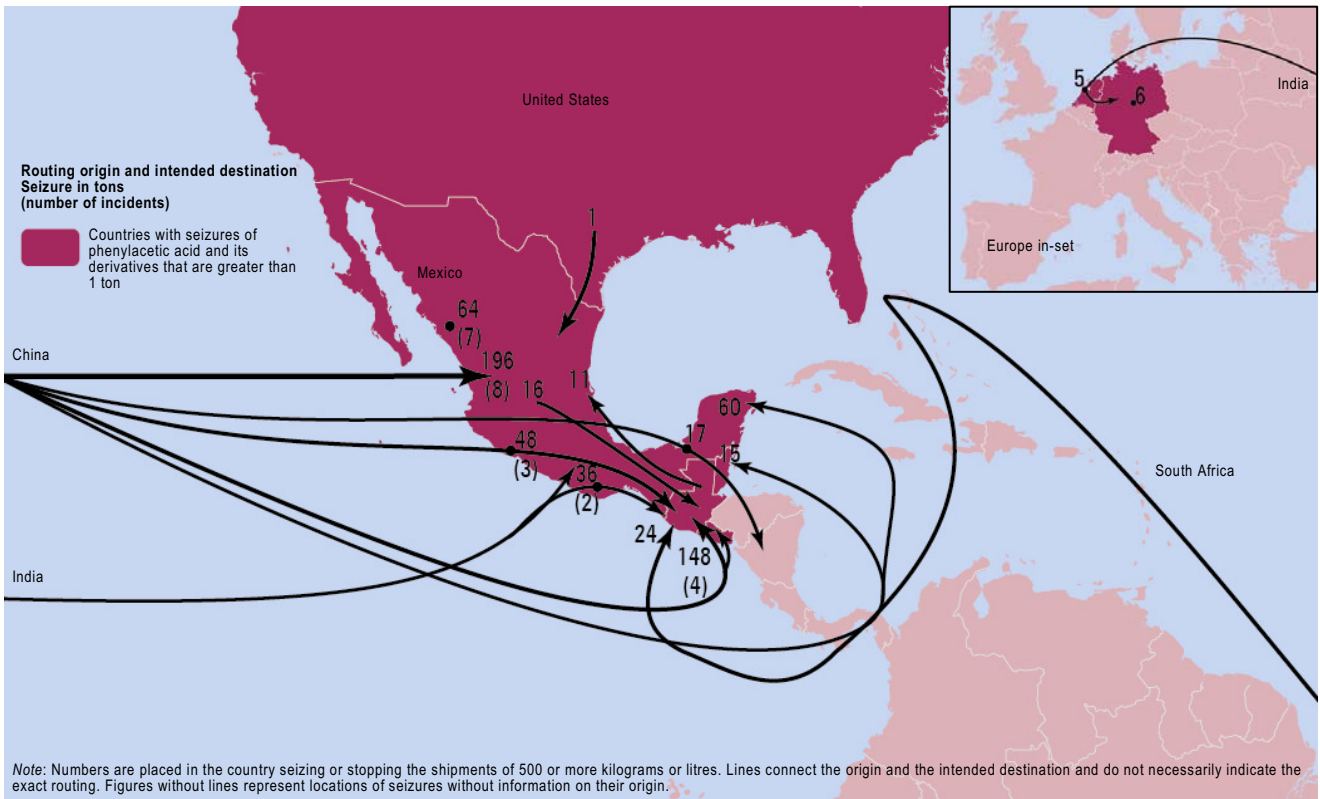
38. The Precursors Incident Communication System (PICS) was launched by the Board, together with the Project Prism and Project Cohesion task force members, during the fifty-fifth session of the Commission on Narcotic Drugs, in March 2012. The secure communication platform is designed to quickly share — among national regulatory and law enforcement authorities of interested countries — information about seizures, diversions and attempted diversions of precursors, shipments of precursors stopped in transit and seizures of illicit laboratories and equipment. Facilitating intelligence-

sharing enables effective bilateral and regional investigations to be launched without delay.

39. As at 1 November 2012, there were 237 registered users of PICS, from 58 Governments and 8 international and regional agencies (see map 6). PICS has been used to communicate more than 400 incidents involving 74 different countries and territories. The Board encourages all States to register with PICS focal points for each of their relevant national authorities involved in precursor control, such as national regulatory, law enforcement, customs and drug control agencies, and to use the system to communicate all incidents involving precursor chemicals with a view to enhancing intelligence-sharing.



**Map 5. Trafficking routes and seizures of precursor chemicals communicated under Operation PAAD**



**Map 6. Governments registered with the Precursors Incident Communication System (PICS)  
(As at 1 November 2012)**

