

I. Introduction

1. The present report begins with a review of the action taken by Governments and by the International Narcotics Control Board to implement the provisions of article 12 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.¹ Information is then presented on the status of adherence to the Convention and on the fulfilment of reporting obligations, followed by a review of recently adopted national legislative controls on precursor chemicals. The report then examines the situation of reporting by Governments on their estimated annual legitimate requirements for the four most common precursors of amphetamine-type stimulants and discusses the efficiency gains achieved by Governments from using the system of pre-export notifications, including Pre-Export Notification Online (PEN Online), to verify the legitimacy of transactions involving precursor chemicals. Closing that chapter is an overview of the results of action taken by Governments in cooperation with the Board under the international initiatives Project Cohesion and Project Prism, which focus on preventing the diversion of precursor chemicals used in the illicit manufacture of heroin, cocaine and amphetamine-type stimulants.

2. The report continues with a regional overview of the licit trade, as well as the trafficking, in the substances most commonly used in the illicit manufacture of drugs. The analysis, presented by region, includes information on the most relevant cases of diversion or attempted diversion of those substances. Based on the feedback received from Governments, specific recommendations are proposed to facilitate the work of the competent authorities with the aim of preventing the diversion of and trafficking in precursor chemicals. Those recommendations are summarized in chapter IV.

3. In the annexes to the report, updated information is provided on: the accession status of the 1988 Convention; the submission of annual data on seizures of scheduled substances and other substances used in illicit drug manufacturing; the annual submission of information required under article 12 of the Convention (such as information on methods of diversion, illicit drug manufacturing and stopped

shipments); the licit trade in, uses of and legitimate needs for scheduled substances; the annual legitimate requirements for selected scheduled substances; requests for pre-export notification; substances scheduled under the Convention; use of scheduled substances for illicit drug manufacturing; licit uses of scheduled substances; and the relevant provisions of applicable United Nations instruments.

II. Action taken by Governments and by the Board

A. Scope of control

Initiation of procedures for the transfer of phenylacetic acid from Table II to Table I of the 1988 Convention

4. Phenylacetic acid is an immediate precursor of 1-phenyl-2-propanone (P-2-P), a substance in Table I of the 1988 Convention that is used in the manufacture of amphetamine and methamphetamine. Concerned by the increase in seizures of phenylacetic acid and illicitly manufactured P-2-P, the Board instructed its advisory expert group² to review the situation. The review, conducted in October 2006, found that the illicit manufacture of both amphetamine and methamphetamine appeared to be on the rise, posing a threat to public health and lying at the root of other social problems. The Board concluded that the controls required for the substances in Table II of the Convention were insufficient to prevent diversions of phenylacetic acid. On that basis and having assessed the relevant comments and supplementary information provided by Governments pursuant to article 12 of the Convention, the Board submitted a communication to the Secretary-General in January 2007 to formally initiate the procedures for the transfer of phenylacetic acid from Table II to Table I of the Convention.

Definition of “safrole-rich oils”

5. Safrole is a substance included in Table I of the 1988 Convention that is used in the manufacture of methylenedioxymethamphetamine (MDMA, also known as “ecstasy”). In its resolution 49/7, the

¹ United Nations, *Treaty Series*, vol. 1582, No. 27627.

² The advisory expert group consists of individual experts appointed by the Board to provide advice with regard to the 1988 Convention.

Commission on Narcotic Drugs requested the Board to provide a definition of “safrole-rich oils” for the purpose of controlling such substances in the same manner as safrole. In response to that request, the Board has defined safrole-rich oils as being “any mixtures or natural products containing safrole present in such a way that it can be used or recovered by readily applicable means”.

B. Adherence to the 1988 Convention

6. As at 1 November 2007, the 1988 Convention had been ratified, acceded to or approved by 182 States and formally confirmed by the European Community (extent of competence: article 12), bringing the level of adherence to 94 per cent of all States in the world. Since the 2006 report of the Board on the implementation of article 12³ was issued, the Democratic People’s Republic of Korea and Liechtenstein have become parties to the Convention. The rates of adherence by region were as follows (see annex I for details): Africa, 94 per cent; the Americas, 100 per cent; Asia, 98 per cent; Europe, 98 per cent; and Oceania, 54 per cent. **The Board calls on the 12 States⁴ that have not yet acceded to the Convention to implement the provisions of article 12 and to become parties to the Convention as soon as possible.**

C. Reporting to the Board pursuant to article 12 of the 1988 Convention

7. Each year the Board sends to all Governments an annual questionnaire (known as form D) on substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances. As at 1 November 2007, a total of 141 States and territories

and the European Commission (on behalf of the States Members of the United Nations that are members of the European Union) had submitted form D for 2006 (see annex II for details). The submission rate for 2006 was approximately the same as for previous years.

8. In its 2006 report on the implementation of article 12 of the 1988 Convention,⁵ the Board requested Pakistan, a country importing large quantities of substances listed in Table I of the 1988 Convention, to provide the missing form D for 2003, 2004 and 2005. The Board notes that Pakistan has since sent form D for 2004, 2005 and 2006. With regard to the States parties to the 1988 Convention that had failed to submit form D for a number of years, the Sudan has resumed providing that information to the Board. Namibia, which is not a party to the Convention and had never submitted form D, has provided form D for 2006.

9. The Board has never received form D from Burundi, the Gambia or Serbia⁶ and it has not received form D for the past several years from Afghanistan, the Bahamas, the Central African Republic, Côte d’Ivoire, Kuwait, Lesotho, Liberia, the Niger, Qatar, Saint Kitts and Nevis, Sierra Leone and Zimbabwe. **The Board urges those States parties to comply with their reporting obligations under the 1988 Convention.**

10. Thirty-two Governments reported seizures of precursor chemicals in 2006. However, the information provided did not include sufficient detail, indicating a possible need for more in-depth investigation by Governments into seizures and stopped shipments of precursor chemicals. **All Governments effecting seizures should provide the required information on**

³ *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2006 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.07.XI.12).

⁴ Equatorial Guinea, Holy See, Kiribati, Marshall Islands, Namibia, Nauru, Palau, Papua New Guinea, Solomon Islands, Somalia, Timor-Leste and Tuvalu.

⁵ *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2006 ...*, para. 24.

⁶ Following the Declaration of Independence by the National Assembly of Montenegro on 3 June 2006, the President of the Republic of Serbia notified the Secretary-General that the membership of the state union Serbia and Montenegro in the United Nations, including all organs and organizations of the United Nations system, was continued by the Republic of Serbia, which remained responsible in full for all the rights and obligations of the state union Serbia and Montenegro under the Charter of the United Nations. As from 3 June 2006, the Republic of Serbia acts in the United Nations under the designation “Serbia”.

non-scheduled substances that have been used in illicit drug manufacture, on methods of diversion and illicit manufacture and on stopped shipments. Such information is crucial because it enables the Board to identify new trends in illicit drug manufacture and in trafficking in precursors.

D. Legislation and control measures

11. In 2006, Australia continued to strengthen controls over the retail supply of medications containing pseudoephedrine through Project Stop, an online intelligence system that enables real-time monitoring of sales of pseudoephedrine-based medications at retail pharmacy outlets. The system assists pharmacists in determining, on the basis of recent purchases, whether customers have a legitimate medical need for the medications they wish to purchase; it also provides the police with intelligence on illicit activities. Project Stop has been in successful operation in the State of Queensland since 2005 and was implemented at the national level in 2007.

12. In November 2006, the Government of the Russian Federation issued a decision requiring importing and exporting companies to submit reports on their trade in narcotic drugs, psychotropic substances and precursor chemicals and requiring manufacturers, producers and retailers to submit reports on the respective quantities produced, manufactured, supplied, sold and in stock.

13. In March 2007, new legislation on the control of precursor chemicals and controlled substances became operational in Peru. The objective of the legislation is to enable law enforcement authorities to monitor and control substances that can be used in the illicit manufacture of drugs.

14. Pursuant to the Drug Act of February 2005, Chile established a special register of users of controlled chemical substances in April 2007. The register aims to strengthen controls over operators trading in scheduled chemicals that are frequently used in the illicit manufacture of drugs.

15. In 2007, the European Union established guidelines for operators involved in trading in precursor chemicals, with a view to offering practical guidance on the implementation of the main provisions

of European Union legislation on precursor chemicals, in particular the prevention of diversion.

E. Legitimate requirements for precursors of amphetamine-type stimulants

16. In its resolution 49/3, the Commission on Narcotic Drugs requested inter alia that Member States prepare annual estimates of their legitimate requirements for four precursor chemicals: ephedrine, pseudoephedrine, 3,4-methylenedioxyphenyl-2-propanone (3,4-MDP-2-P) and P-2-P. In March 2007, the Board requested all competent authorities to review and, if necessary, amend the information on estimated legitimate requirements for precursor chemicals published in annex V of the yearly report of the Board on the implementation of article 12 of the 1988 Convention. As at 1 November 2007, 101 Governments had provided estimates of their annual legitimate requirements. The table of estimated legitimate requirements for precursor chemicals published by the Board is updated regularly and is available on the website of the Board (www.incb.org).

17. With regard to the establishment of guidelines for preparing estimates of legitimate requirements for precursors, Colombia, El Salvador, Lebanon, Mauritius, Mexico, Oman, Spain, Thailand and the United States of America have provided information on methodologies for preparing such estimates.

18. Various Governments have provided the Board with feedback on the publishing of estimates of legitimate requirements for precursor chemicals, which has already led to successful results in identifying suspicious transactions. **The Board considers the annual estimates of legitimate requirements for precursors of amphetamine-type stimulants to be essential information and encourages all Governments to continue to provide the Board with the most up-to-date information possible.** The purpose of such a system is to give the competent authorities of exporting countries a tool to assist them in identifying both legitimate and suspicious transactions by making available the estimated legitimate requirements of importing countries. **The Board invites Governments to review the published requirements and to inform it of any necessary changes. The Board invites competent authorities to**

inform it of any methodologies that they have found useful for estimating their legitimate requirements.

F. Pre-export notifications

19. Pre-export notifications remain the most effective means of rapidly verifying the legitimacy of individual transactions. The Board is therefore pleased to note the steady growth in both the number of Governments that regularly send pre-export notifications and the number of Governments that have formally requested to receive pre-export notifications pursuant to article 12, paragraph 10 (a), of the 1988 Convention. As at 1 November 2007, 45 countries and 2 territories had invoked that paragraph, thus making the sending of such notifications to their competent authorities mandatory. The total number of Governments that have made use of that provision, including the Governments of the 27 member States of the European Union, all of

which require pre-export notifications, currently stands at 74. An updated list of Governments that have requested pre-export notifications is provided in annex VI to the present report. **The Governments of exporting countries and territories are reminded to ensure that the competent authorities of the importing countries concerned are notified in advance of any export of precursor chemicals to their territory.**

20. The Board is pleased to note that most of the countries that are major exporters or are used as trans-shipment areas now regularly provide pre-export notifications. The Governments of China and India, for instance, respectively sent 113 and 1,079 pre-export notifications for exports of pseudoephedrine and ephedrine during the reporting period. The Board encourages the Governments of those two countries to take further measures to strengthen controls over precursor chemicals at the national level.

Figure I
Countries and territories registered with the PEN Online system



21. Since its launching by the Board in March 2006, the online system for the exchange of pre-export notifications (PEN Online) has significantly expedited communications between Governments in terms of timely submission of pre-export notifications. Currently, 92 countries and territories are authorized to access the PEN Online system (see figure I). Fifty six of those 92 countries and territories, or 61 per cent, actively use the system on a daily basis. Thus far, over 11,000 pre-export notifications have been sent to a total of 164 countries and territories through the PEN Online portal; on average, 600 pre-export notifications are submitted each month. Authorities that have not yet registered with the Board or do not have an electronic mail (e-mail) account can receive notifications by facsimile that are automatically generated by the PEN Online system. The PEN Online system has become the main channel of communication for the rapid exchange of information on shipments, helping to prevent the diversion of precursor chemicals and leading to stopped or suspended shipments in international trade.

22. As the PEN Online system operates in real time, it facilitates the processing of information by Governments, in particular the instant verification of the legitimacy of individual transactions. Since its establishment, the system has significantly reduced unnecessary delays in legitimate trade by allowing, inter alia, importing countries to provide timely feedback to exporting authorities on the legitimacy of transactions. **As the system represents a major development in the exchange of information through pre-export notifications, the Board urges the Governments of all importing and exporting countries that have not yet done so to register with and utilize the PEN Online system.**

23. The Board has found that the time taken to verify the bona fides of importing companies often has not met the requirements of the operational procedures agreed upon among Project Prism participants. **The Board encourages the competent authorities of importing countries to observe the verification deadlines set by exporting countries on their pre-export notifications. If more time is needed to complete an investigation into a particular shipment, the exporting country and the Board should be informed as a matter of urgency in order to prevent the delivery of unwanted shipments or the possible diversion of shipments.**

24. In a significant number of importing countries, the competent authorities had requested the Governments of exporting countries to suspend shipments to importing companies that were “not authorized”. However, the importing countries only rarely provided information to the Board on whether the importing company had simply not complied with applicable legislation or whether the order had been identified as an attempt to divert a substance. **The Board emphasizes that follow-up investigations into such cases are of the utmost importance. If shipments are suspended for solely administrative reasons, that information should be conveyed to the exporting country and to the Board in order to avoid delays in legitimate trade in the future.**

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

25. Since 1995, the Board, in accordance with Economic and Social Council resolution 1995/20, has requested Governments to provide data on their licit trade in, uses of and requirements for scheduled substances. The provision of such data is voluntary and the information is treated by the Board as confidential when so requested. That information is essential to the efforts of Governments to monitor the movement of those substances, as required under article 12 of the 1988 Convention, and to the efforts of the Board to assist Governments in identifying suspicious transactions. Without such data, it would be difficult to quickly verify the legitimacy of individual shipments. That information also enables the Board to identify general trends in the global trade in scheduled substances and, on the basis of that knowledge, to assist Governments in identifying unusual trade patterns and suspicious transactions. The availability of such information also facilitates licit trade, as it expedites the issuance of import and export authorizations where required.

26. The Board expresses its appreciation to the 109 States and territories that reported data on the licit movement of precursors and to the 97 Governments that furnished information on their licit uses of and legitimate requirements for such substances for 2006 (see annex IV for details). As in previous years, the European Commission furnished information

representing submissions from all 27 States members of the European Union. The majority of States and territories submitting form D were able to provide data on the licit movement of at least some precursor chemicals.

27. As Pakistan, a country importing large quantities of substances listed in Table I, has resumed providing data on its licit trade by submitting that information for 2004, 2005 and 2006, all major importing countries now provide data on licit trade.

H. Results of other action taken

1. Activities under Project Prism, the international initiative to address the diversion of chemicals used in the illicit manufacture of amphetamine-type stimulants

28. In 2007, the Board continued to assist the Governments of 126 States participating in Project Prism, the international initiative to address the diversion of chemicals used in the illicit manufacture of amphetamine-type stimulants. Based on information provided by Governments concerning attempts to produce amphetamine-type stimulants from controlled and non-controlled substances, the Board, as the international focal point under the Project, issued in 2007 five special alerts informing participants of the latest trafficking trends and modi operandi identified.

29. In response to the increase noted in 2006 of suspicious shipments of ephedrine and pseudoephedrine to countries in Africa, Central and South America and West Asia, the Project Prism Task Force launched on 1 January 2007 a targeted six-month operation, entitled Crystal Flow.

30. Operation Crystal Flow made use wherever possible of the pre-export notifications sent through the PEN Online system for ephedrine, pseudoephedrine, ephedra and the related pharmaceutical preparations. During the operation, participating States verified the legitimacy of importers and end-users and identified suspicious transactions. When evidence of such transactions was found, information was provided to the Task Force members in the region with the objective of launching backtracking investigations into seizures and stopped shipments. Wherever possible, controlled deliveries were organized. The secretariat of

the Board served as the global focal point for the exchange of information.

31. A meeting of the Project Prism Task Force, held in Washington, D.C., from 9 to 12 July 2007, evaluated the results of Operation Crystal Flow. In total, 65 States in Africa, the Americas and West Asia and all major exporting and transit countries took part in the operation. During the six-month operational phase, the competent authorities of 22 countries and territories provided information on 1,399 individual shipments in international trade. Those shipments were destined to 119 different countries or territories and involved 153.43 tons of ephedrine and 652 tons of pseudoephedrine. The Board launched enquiries into the legitimacy of 187 of those shipments with the Governments of 54 States, which led to the identification of 35 suspicious transactions. Half of those suspicious shipments were declared as actually or likely to be destined for Mexico. Shipments of 53 tons of ephedrine and pseudoephedrine were either stopped or seized. The quantity of ephedrine and pseudoephedrine prevented from diversion was sufficient to manufacture approximately 48 tons of methamphetamine.

32. Having examined the results achieved during Operation Crystal Flow, the Board notes that increased monitoring of ephedrine and pseudoephedrine caused traffickers to obtain non-scheduled substances. Some of the non-scheduled substances were traded specifically to circumvent controls. **The Board therefore urges competent authorities to establish adequate mechanisms for identifying suspicious transactions involving non-scheduled chemical substances.**

33. During the reporting period, activities targeting precursors of amphetamine-type stimulants took place in other regions as well. For example, law enforcement agencies in Australia and New Zealand conducted an operation aimed at identifying smuggling patterns for ephedrine.

34. Following a request by the Project Prism Task Force in 2005, the Regional Centre for East Asia and the Pacific of the United Nations Office on Drugs and Crime (UNODC) conducted a large-scale regional survey on safrole-rich oils. According to the survey, Cambodia, China, Indonesia, the Lao People's Democratic Republic and Myanmar were the major producers of safrole-rich oils, with an estimated

production of 1,500 tons annually. Most of that substance was consumed in South-East Asia. The survey also revealed that shipments of safrole in the form of safrole-rich oils were often declared simply as “essential oils”, making it difficult for authorities to identify individual shipments of safrole.

2. Activities under Project Cohesion, the international initiative to address the diversion of chemicals used in the illicit manufacture of cocaine and heroin

35. Project Cohesion, the global initiative launched by the Board to address the diversion of acetic anhydride and potassium permanganate, continued to provide a suitable platform for the monitoring of licit trade in those substances and for launching time-bound regional operations. The results of Operation Trans-shipment, an anti-trafficking operation conducted in Central Asia in July 2006, were noted in the 2006 report of the Board on the implementation of article 12.⁷ The Board considers that additional and specific regional activities are needed to address the continuing problem of the smuggling of acetic anhydride into Afghanistan. **Aware that the Project Cohesion Task Force is undertaking a number of complementary measures, including anti-smuggling activities in Central Asia, the Board stands ready to support those activities within the scope of its mandate.**

36. Also in its 2006 report on precursors,⁸ the Board urged Governments participating in Project Cohesion, particularly those in the Americas, to launch similar activities to address the diversion of potassium permanganate used in the illicit manufacture of cocaine in South America. **The Board is willing to support initiatives being launched under the Project by Governments in the region in cooperation with international organizations and looks forward to being informed of the results of those activities.**

⁷ *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2006* ..., paras. 61-63.

⁸ *Ibid.*, para. 64.

III. Extent of licit trade and latest trends in trafficking in precursors

37. The analysis presented below provides an overview of the major trends in the diversion of and trafficking in precursor chemicals, as identified in the period 2006-2007. It is based on data on seizures and on licit trade furnished by Governments on form D for 2006 and in pre-export notifications. The analysis also draws on information from individual cases of diversion, attempted diversion, stopped or suspended shipments and information on illicit drug manufacturing activities. Information obtained under the international initiatives Project Cohesion and Project Prism, including information resulting from Operation Crystal Flow, complemented the analysis. The Board is grateful to all Governments that provided it with the results of cases investigated in 2006 and 2007.

A. Substances used in the illicit manufacture of amphetamine-type stimulants

38. Between 1 November 2006 and 31 October 2007, Governments sent 3,143 pre-export notifications for shipments involving substances used in the illicit manufacture of amphetamine-type stimulants. The Board assisted Governments in verifying the legitimacy of 380 of those consignments, leading to the successful prevention of the diversion of controlled chemicals in 57 different cases.

1. Ephedrine and pseudoephedrine

Licit trade

39. Between 1 November 2006 and 31 October 2007, 2,773 individual shipments involving international trade in ephedrine and pseudoephedrine were monitored under Project Prism. Of those shipments, 553 involved ephedrine (totalling 311 tons) and 2,220 involved pseudoephedrine (totalling 1,380 tons). The shipments were exported by 31 countries and territories and were destined to 140 importing countries and territories. The Board launched enquiries into 352 shipments with the Governments of 71 countries and territories.