

I. Introduction

1. The present report provides highlights of the action taken by Governments and by the International Narcotics Control Board since the 2007 report on precursors¹ to implement the provisions of article 12 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.²

2. The review begins with an account of the activities carried out during the reporting period with regard to the scheduling of substances. That section is followed by information on the status of adherence of Governments to the 1988 Convention, reporting by Governments to the Board as required under article 12 of the Convention and an overview of recent changes in legislative and control measures related to precursors. The chapter also includes an update of information provided by Governments on their estimated annual legitimate requirements for precursors of amphetamine-type stimulants, a review of the functioning of the pre-export notification system and an analysis of available data on licit trade in, uses of and requirements for precursors. The final section of chapter II focuses on the most significant activities and achievements related to Project Prism and Project Cohesion, the international initiatives targeting precursor chemicals used in the illicit manufacture of amphetamine-type stimulants and of heroin and cocaine, respectively.

3. Chapter III provides an analysis of the major trends identified in the diversion of and trafficking in precursor chemicals used in the illicit manufacture of amphetamine-type stimulants, cocaine and heroin; where data are available, the trends are analysed by region. The final chapter of the report summarizes the major conclusions, including recommended action for Governments to take in order to address the issues raised in the conclusions. Specific recommendations

are provided with a view to facilitating the work of the relevant competent national authorities.

4. The annexes to the report contain practical information, for use by competent national authorities, on the status of treaty adherence, submission of annual information on substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances, seizure data, data on licit trade in, uses of and legitimate requirements for scheduled substances, estimated annual legitimate requirements for precursors of amphetamine-type stimulants, requests for pre-export notifications, a list of scheduled substances, the licit and illicit uses of scheduled substances and relevant treaty provisions for the control of precursors.

II. Action taken by Governments and by the Board

A. Scope of control

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

5. In 2006 the Board, concerned that existing controls on phenylacetic acid, a precursor of amphetamine-type stimulants, were inadequate, convened a meeting of its advisory expert group³ to assess information and relevant comments provided by Governments on licit and illicit trade in that substance. Based on the recommendation made by the group, 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 1988 Convention.

6. To assess the impact of that recommendation, the Secretary-General invited Governments to submit comments by way of a questionnaire prepared and distributed by the Commission on Narcotic Drugs. The replies to the questionnaire were forwarded to the group, which was reconvened in February 2008 to evaluate the information and determine the level of

¹ *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2007 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.08.XI.4).

² United Nations, *Treaty Series*, vol. 1582, No. 27627.

³ The advisory expert group consists of individual experts appointed by the Board to provide advice with regard to the 1988 Convention.

global support for the rescheduling of phenylacetic acid under the 1988 Convention.

7. The advisory expert group subsequently advised the Board that the information from the completed questionnaires and other information available on phenylacetic acid supported the continuation of the process for the rescheduling of that substance from Table II to Table I of the 1988 Convention. The Board is now collecting more detailed information on the extent to which the substance is utilized in illicit drug manufacture.

B. Adherence to the 1988 Convention

8. As at 1 November 2008, the 1988 Convention had been ratified, acceded to or approved by 182 States. Since the 2007 report of the Board on the implementation of article 12⁴ was issued, no additional States had become parties to the Convention. Details on the rates of accession by region are provided in annex I.

9. The parties to the 1988 Convention now include all of the main countries manufacturing, exporting or importing precursor chemicals. In Oceania, however, nearly half of the States have not yet ratified the Convention. During 2008, attempted diversions of precursors involving, for example, Nauru demonstrate that no country or region can remain immune to traffickers' attempts. **The Board therefore urges Equatorial Guinea, the Holy See, Kiribati, the Marshall Islands, Namibia, Nauru, Palau, Papua New Guinea, Solomon Islands, Somalia, Timor-Leste and Tuvalu to implement the provisions of article 12 and to become parties to the Convention without further delay.**

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

10. Under article 12, paragraph 12, of the 1988 Convention, parties are required to submit to the Board information annually on seizures of the substances listed in Tables I and II of the Convention.

⁴ *Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances: Report of the International Narcotics Control Board for 2007 ...*

In order to assist Governments in providing such data, the Board transmits to all Governments an annual questionnaire (known as form D) on substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances.

11. By 1 November 2008, a total of 133 States, territories and special administrative regions, as well as the European Community, had submitted form D for 2007 (see annex II for details). Serbia submitted form D for the first time. The Board welcomes the fact that, of the States parties to the 1988 Convention that had failed to submit form D for a number of years, Honduras, the Libyan Arab Jamahiriya, the Niger, the Sudan and Togo have resumed providing that information to the Board. A matter of particular concern to the Board is that a number of States parties continue to fail to comply with their reporting obligations; those States include Angola, Burundi, Gabon and the Gambia, which have never submitted form D.

12. In 2007, 50 Governments reported seizures of precursor chemicals. Only a few of those Governments supplemented their reports with the additional information required on non-scheduled substances with regard to method of diversion, illicit manufacture and stopped shipments. **The Board urges all Governments that have effected seizures to collect and report that additional information, which is essential for determining emerging trends in illicit drug manufacture and in trafficking in precursors.**

D. Legislation and control measures

13. Establishing and strengthening appropriate national control measures constitutes the basis for effective monitoring of the movement of precursor chemicals. At its twentieth special session, in 1998, the General Assembly called upon States to adopt and implement, where they had not already done so, the national laws and regulations required for strict compliance with the provisions and proposals of article 12 of the 1988 Convention, and related resolutions of the Commission on Narcotic Drugs and the Economic and Social Council (Assembly resolution S-20/4 B). In line with that recommendation, Governments have continued to introduce or further tighten national controls over the movement of precursors.

14. Over the past few years the Board, in its reports on precursors, has drawn the attention of Governments to the fact that, as the monitoring of international trade in scheduled chemicals continues to yield results, traffickers are increasingly turning their attention to domestic manufacture and distribution channels. Smuggling across national borders has become the most common method of obtaining chemicals for use in clandestine laboratories; therefore, measures to control the domestic movement of such chemicals are becoming increasingly important.

15. With regard to the control of precursor chemicals entering Afghanistan, the Board welcomes the adoption in June 2008 of Security Council resolution 1817 (2008) regarding the security situation in Afghanistan. In the resolution, the Council expressed concern about the high level of trafficking into and within Afghanistan of precursor chemicals, notably acetic anhydride, used to manufacture heroin. The Council called for strengthened cooperation to counter the illicit manufacture of drugs and invited all Member States to increase their cooperation with the Board, particularly by complying fully with the provisions of article 12 of the 1988 Convention.

16. In July 2007, Nicaragua added all pharmaceutical preparations containing ephedrine and pseudoephedrine to its list of controlled substances. Under the new legislation, the manufacture, import, export, distribution, sale, research and prescription of all such pharmaceutical preparations are regulated by Law No. 292, as amended.

17. In February 2008, the Parliament of the State of Queensland, Australia, enacted the Drugs Misuse Amendment Act 2008, which amended the Drugs Misuse Act 1986 and the Drugs Misuse Regulation 1987. The new legislation rescheduled ephedrine and set the maximum penalty for its unlawful possession, supply or trafficking at 20 years of imprisonment. New offences were created for the supply and illicit manufacture of certain substances, such as pseudoephedrine, and for the possession of equipment used in the illicit manufacture of drugs, such as pill presses.

18. In April 2008, South Africa amended its Medicines and Related Substances Act, 1965, to include ephedrine and pseudoephedrine in order to prevent their use in illicit drug manufacture. Preparations and mixtures containing those two

substances or ephedra were included in the amendment.

19. In May 2008, Honduras prepared draft legislation to control all pharmaceutical preparations containing ephedrine and pseudoephedrine. Under the proposed legislation, those preparations would require a prescription and could be dispensed only by authorized personnel. Furthermore, in the case of non-compliance, operators could risk losing their licence. In view of the situation of precursor trafficking in Central America (see paras. 49 and 50 below), the Board encourages Honduras to adopt and implement the new legislation as a matter of priority.

20. According to the new control measures adopted in Mexico in June 2008, the use of ephedrine and pseudoephedrine is prohibited. All prior import permits for medicines containing ephedrine and pseudoephedrine were cancelled. Where outstanding imports could not be cancelled or suspended, the imported substance would be destroyed upon receipt. Authorization could be granted to fulfil existing commitments for the export from Mexico of medications containing ephedrine or pseudoephedrine for a period of six months after the enactment of the regulation. Existing stocks of medicine or raw materials containing ephedrine or pseudoephedrine must be reported to the Federal Commission for Protection against Sanitary Risks and subsequently destroyed, with the exception of injectable solutions of ephedrine sulphate. Licit use of ephedrine and pseudoephedrine is limited to institutions involved in research or toxicological analysis, and the Federal Commissioner for Protection against Sanitary Risks is responsible for issuing the relevant import authorizations. Those measures would be subject to review after a one-year period.

21. In June 2008, China adopted a comprehensive drug control law aimed at strengthening domestic controls; the law included provisions for the establishment of a licensing system to govern the manufacture of, trade in and shipment of precursor chemicals. Also in June 2008, the State Food and Drug Administration of China decided to require prescriptions for nasal drops containing ephedrine hydrochloride. Furthermore, China now requires that all shipments destined for Afghanistan, the Lao People's Democratic Republic or Myanmar must be authorized for import before they can leave the

country. China also reported that there is no longer any illicit manufacturing of 3,4-methylenedioxyphenyl-2-propanone (3,4-MDP-2-P) in the country.

22. In June 2008, Belize introduced legislation to strengthen existing controls over ephedrine. Under the new legislation, operators require special authorization in order to trade in the substance and pre-export notifications must be sent to importing countries. In addition, the import and export of pseudoephedrine in bulk form and in pharmaceutical preparations are prohibited.

23. El Salvador issued in August 2008 a regulation on the handling and control of pseudoephedrine as a raw material and when contained in pharmaceutical preparations. According to the regulation, all pharmaceutical preparations containing pseudoephedrine would henceforth require a prescription. Furthermore, an import quota was to be imposed for pseudoephedrine, with import authorizations to be issued by the National Drug Council. In addition, all laboratories and pharmacies would be required to submit information on their sales and stocks of pharmaceutical preparations containing pseudoephedrine.

E. Legitimate requirements for precursors of amphetamine-type stimulants

24. In its resolution 49/3, the Commission on Narcotic Drugs requested inter alia that Member States prepare annual estimates of their legitimate requirements for 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. The estimated legitimate requirements for precursor chemicals, as reported by Governments and published by the Board, are updated regularly and are available on the website of the Board (www.incb.org). By 1 November 2008, 109 Governments had provided estimates of their annual legitimate requirements for precursors of amphetamine-type stimulants.

25. The Board has, in past reports, requested Governments to inform it of methodologies that they have found useful in preparing estimates of their legitimate requirements for precursors. In that

connection, the Government of the United States of America has provided the most comprehensive methodology for establishing annual estimates of legitimate requirements for ephedrine and pseudoephedrine. The Governments of a number of other countries, including Barbados, the Dominican Republic, Ecuador, Lebanon, Mauritius, Mexico, Panama, Spain and Thailand, as well as the government of the Hong Kong Special Administrative Region of China, have also provided the Board with relevant information. The Board will continue to maintain regular dialogue with countries and territories regarding the establishment of such estimates, as Governments themselves are in the best position to calculate realistic estimates of their legitimate requirements for those substances. **The Board requests Governments that have not yet done so to inform it of the methodologies that they use for calculating their legitimate requirements for precursors of amphetamine-type stimulants.**

26. The publishing of estimates of legitimate requirements for precursor chemicals has continued to assist Governments in the successful identification of suspicious transactions. The annual estimates are an essential tool that helps the competent authorities of exporting countries to prevent diversions. **The Board therefore encourages all Governments to continue to provide to the Board the most accurate information possible.** The objective of publishing such information is to assist the competent authorities of exporting countries in identifying suspicious transactions for further analysis and action, as necessary. **The Board again invites Governments to review the published requirements and to inform it of any necessary changes.**

F. Pre-export notifications

27. The rapid exchange of information on individual shipments of precursor chemicals, through pre-export notifications between Governments of importing and exporting countries and territories, continues to be one of the most effective tools in detecting and preventing attempted diversions. The number of parties that have invoked article 12, paragraph 10 (a), of the 1988 Convention continues to grow. Since the 2007 report of the Board on the implementation of article 12 was issued, the Republic of Korea has requested to

receive pre-export notifications, thus bringing to 74 the total number of Governments that have made use of that provision, including the 27 States members of the European Union. The updated list of specific requests received from Governments is reproduced in annex VI to the present report. The list should assist Governments of exporting and re-exporting countries in ensuring that the required pre-export notifications are sent to those importing authorities that have officially requested to receive them before the respective substance is exported. **The Governments of countries that import substances listed in Tables I and II of the 1988 Convention and that wish to be alerted of any shipment of precursor chemicals destined for their territory are advised to request the provision of such pre-export notifications officially through the Secretary-General.**

28. The Board is pleased to note that pre-export notifications have been submitted by most of the countries that are major exporters of controlled substances or are used as trans-shipment areas for consignments containing such substances. As a result, it has been possible to detect a growing number of cases of diversion or attempted diversion of those substances.

29. Since its launch by the Board in March 2006, Pre-Export Notification Online (PEN Online), the online system for the exchange of pre-export notifications, has considerably expedited communications between Governments of exporting and importing countries regarding shipment notifications and has also provided the necessary rapid verification of the transactions in question. Currently, 98 countries and territories are authorized to access the PEN Online system. Over 20,000 pre-export notifications have so far been sent to a total of 179 countries and territories through the PEN Online portal, with pre-export notification submissions averaging 700 per month. Those authorities that have not yet registered with the Board or do not possess an e-mail account receive pre-export notifications by facsimile that are automatically generated by the PEN Online system.

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

30. In accordance with Economic and Social Council resolution 1995/20, the Board has requested Governments to voluntarily provide data on licit trade in, uses of and requirements for scheduled substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances. While it is not an obligation under the 1988 Convention to provide such data, the voluntary provision of that information greatly enhances the ability of Governments to monitor the movement of precursor chemicals and prevent diversions.

31. By 1 November 2008, a total of 112 States and territories had reported data on the licit movement of precursors and 104 Governments had furnished information on the licit uses of and requirements for such substances for 2007 (see annex IV for details). The European Commission continued to furnish information representing submissions from all 27 States members of the European Union. The Board wishes to thank all States and territories that submitted form D and also furnished data on the licit movement of specific precursor chemicals. In 2008, all major countries importing precursor chemicals continued to provide data on licit trade in those chemicals.

H. 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

32. Multilateral mechanisms established under Project Prism have brought about identifiable positive results. Participating Governments have provided and received information on emerging trafficking trends, identified *modi operandi* and exchanged data on activities related to the diversion of precursor chemicals. The Board continued to assist those Governments as focal points for the exchange of such information. During the period, four special alerts on diversion-related activities were circulated to all participating States.

33. In response to the results achieved and to the positive feedback received from many Governments on the effectiveness of Operation Crystal Flow (which ran from 1 January to 30 June 2007), the Project Prism Task Force decided to continue and to expand those activities with the objective of continuing the exchange of intelligence on suspicious transactions and on backtracking investigations. The new initiative, called Operation Ice Block, took place from 2 January to 30 September 2008. Operation Ice Block focused on trade in ephedrine and pseudoephedrine, including pharmaceutical preparations and ephedra, and, to the extent it is possible to identify such shipments, trade in P-2-P and phenylacetic acid involving countries in Africa, the Americas, West Asia and Oceania. As in previous activities, the primary tool for the identification of suspicious transactions was the PEN Online system.

34. The Project Prism Task Force held two meetings to evaluate the operation. The first one, held in Pretoria, from 9 to 13 June 2008, prepared a midterm assessment of the progress and efficacy of Operation Ice Block. Upon conclusion of the operation, the Task Force reconvened in New Delhi, from 13 to 17 October 2008, to conduct a final assessment of the operation. In general, the Task Force noted that Operation Crystal Flow and Operation Ice Block had achieved to a large extent their main objectives, namely to gather intelligence on how precursors were making their way to clandestine laboratories and to identify links between trafficking organizations involved in those activities.

35. Operation Ice Block was supported by the Governments of all major exporting and transit countries. During the nine-month active phase of the operations, the Board reviewed information on 2,057 shipments of the substances in question. Those shipments involved 201 tons of ephedrine and over 1,056 tons of pseudoephedrine. As a result of that review, the Board launched 219 queries regarding the legitimacy of certain transactions. From those queries, 49 suspicious transactions were identified. As a direct consequence of the operation, shipments totalling 49 tons of ephedrine and pseudoephedrine were prevented through stoppage or seizure. That quantity of ephedrine and pseudoephedrine was sufficient to manufacture between 37 and 44 tons of methamphetamine.

36. Investigations carried out by the Governments involved have made it possible not only to identify links between a number of cases of diversion or attempted diversion but also to close specific intelligence gaps. Shipments of precursors, many of them having an ultimate destination in North America, had been diverted in or via countries in Africa, Central America and West Asia, while Europe had been used as a trans-shipment area. Oceania has also emerged as a destination. Trafficking in pharmaceutical preparations containing ephedrine or pseudoephedrine continued to be a major problem.

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

37. Project Cohesion continued to address the diversion of acetic anhydride and potassium permanganate by providing a platform for the monitoring of licit shipments and coordinated investigations into seizures and stopped shipments.

38. The Project Cohesion Task Force met in Vienna on 6 and 7 March 2008 to review the completed and planned operational activities and to develop an appropriate response strategy to address the low rates of seizure of acetic anhydride in the preceding period. The Task Force examined information available on diversions of acetic anhydride and decided to launch Operation Dice, an information-driven initiative focusing on the exchange of data on seizures, identified diversion attempts and suspicious shipments of acetic anhydride and other chemicals, either known to be used or suspected of being used in the illicit manufacture of heroin.

39. Operation Dice, which was conducted from 1 April to 30 September 2008, produced notable results in both the quantity and quality of information exchanged. During the operation, the Board reviewed 388 international shipments of acetic anhydride and identified 5 as suspicious. In total, 20 cases of seizure and suspected diversion of heroin precursors were communicated to the Board, including seizures of acetic anhydride, sulphuric acid, acetic acid and acetyl chloride. Further details on those cases and an analysis of the trafficking trends identified are contained in paragraphs 72-82 below.

40. The Board commends the results of Operation Dice and reiterates its readiness to support, within the scope of its mandate, Project Cohesion in the future. **The Board further calls on Governments of countries in the Americas and the regional members of the Project Cohesion Task Force to devise similar strategies to address the smuggling of potassium permanganate into cocaine-manufacturing areas of South America.**

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

41. The principal indicators used for the analysis below were the seizure data provided by Governments on form D for 2007, in combination with data accumulated through the PEN Online system. Information gathered through Project Prism and Project Cohesion activities, specifically Operation Ice Block and Operation Dice, complemented those data to permit a more comprehensive assessment. Reports on individual cases of diversion, attempted diversion and stopped or suspended shipments and information on illicit drug manufacturing activities supplied by Governments provided additional evidence to substantiate particular identified trends.

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

42. Between 1 November 2007 and 31 October 2008, Governments provided 2,989 pre-export notifications for consignments of substances used in the illicit manufacture of amphetamine-type stimulants. The Board launched enquiries into the legitimacy of 304 of those shipments.

1. Ephedrine and pseudoephedrine

Licit trade

43. Under Project Prism, during the period from 1 November 2007 to 31 October 2008, Governments notified the Board of 2,547 international transactions involving 297 tons of ephedrine (in 487 shipments) and 1,136 tons of pseudoephedrine (in 2,060 shipments). Those shipments originated in 34 exporting countries

and territories and were to be sent to 134 importing countries and territories.

Trafficking

44. Twenty-three countries reported on their form D for 2007 seizures of ephedrine totalling 21.8 tons. Panama reported the largest amount seized (10 tons), followed by China (5.8 tons) and Mexico (3.7 tons). In contrast to the data collected through Project Prism, which indicated large-scale diversion of pharmaceutical preparations containing ephedrine, only nine countries reported small seizures of such preparations, amounting to 19 kg only. Fifteen countries reported seizures of pseudoephedrine for a total of 25.3 tons in 2007, led by Mexico (12.2 tons) and France (7 tons). In the former case, the substance was being smuggled into Mexico. Only seven countries reported seizures of preparations containing pseudoephedrine, for a total of 395 kilograms.

45. During Operation Ice Block, 46 shipments of either ephedrine or pseudoephedrine were identified as suspicious. Those shipments involved 12.9 tons of ephedrine and 40 tons of pseudoephedrine. Based on information provided to the Board, the destination country for almost half of those shipments was ultimately Mexico. The customs authority of Germany seized a shipment of 535 kilograms of brown ephedra powder in transit from India and destined for Mexico.

46. The strengthened monitoring and control of ephedrine and pseudoephedrine shipments to North America helped to prevent the diversion of those substances in the region. However, trafficking networks have been exploring new ways to supply illicit methamphetamine laboratories in that region. It is believed that smuggling and diversion of ephedrine and pseudoephedrine from domestic distribution channels are now among the most common methods of supply. As orders for raw materials are brought under increasing scrutiny by authorities worldwide, traffickers have turned to placing orders with legitimate pharmaceutical companies for preparations containing ephedrine or pseudoephedrine, purportedly to be sent to developing countries. In many regions, controls over pharmaceutical preparations continued to be less stringent or even non-existent. Numerous cases of diversion and attempted diversion of ephedrine and pseudoephedrine, often in the form of preparations, were identified and reported to the Board. In those