

# **CHEMICAL CONTROLS**



### **Introduction**

Only marijuana, of all the major illicit drugs of abuse, is available as a natural, harvested product. All of the others such as cocaine, heroin and synthetic drugs must be manufactured. This process requires chemicals.

Chemical diversion control is a proactive and straightforward strategy to deny traffickers these chemicals. It involves the regulation of licit commerce in the chemicals most necessary for drug manufacture to ensure that transactions are permitted to proceed only after the legitimate end-uses of the chemicals involved have been established. This requires verifying that both the chemicals and the quantities ordered are appropriate for the needs of the buyer. Chemical control is a cost-effective strategy to prevent the manufacture of illicit drugs through the regulation of licit commerce.

Chemical control, as a strategy to prevent a crime, requires the examination of proposed commercial transactions, the bulk of which are legitimate. Chemical manufacturers and traders must provide transaction details to their national authorities. In the case of export transactions, at least a portion of this information must be shared with importing governments so they can ascertain the legitimacy of the proposed end-uses of the chemicals. Information sharing is also essential to prevent traffickers from turning to alternative chemical source countries when transactions in one country are denied. To avoid hindering legitimate commerce, the information exchange and the decision-making must be rapid.

Many governments consider chemical control a trade issue to be handled by trade ministries/agencies with a bias towards promoting, not regulating trade. If these ministries do not allow sufficient scope for regulatory and law enforcement measures in support of chemical control, they may unwittingly undermine this effective counternarcotics strategy. Trade ministries can also reinforce the reluctance of companies to provide information that will be shared with other governments for fear that it will reach competitors. This concern is unfounded. There is no evidence that the multilateral chemical information exchange now occurring is being abused by governments or firms to gain competitive advantage.

There is widespread international commerce in many of the chemicals required for illicit drug manufacture. Many of them have extensive commercial applications and are available from numerous source countries. All countries having commerce in regulated chemicals – exporting, trading, transit, and importing – must participate in the information exchange. Rapid multilateral information exchange between their competent national authorities on proposed transactions in regulated chemicals is essential to identify and stop or seize suspect shipments. The information exchange must include feedback from receiving countries, particularly importing countries, on actions they have taken in response to the information received. The U.S. continues to seek implementation of effective multilateral mechanisms for this information exchange.

To participate in multilateral chemical control mechanisms, countries must establish national chemical control regimes, with administrative structures to support them. The national regimes must include provisions for the multilateral information exchange necessary for their implementation, while respecting the legitimate commercial interests involved. A key element is recognition that chemical control is also a law enforcement strategy to be administered in cooperation with law enforcement agencies to curb criminal activities.

### ***International Framework for Chemical Control***

The need for chemical control has been internationally recognized. Article 12 of the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988 UN Drug Convention) establishes the obligation and international standards for parties to the Convention to control their chemical commerce to prevent diversion to illicit drug manufacture, and to cooperate with one another. The two tables of the Annex to the Convention list 23 chemicals as those most necessary for

drug manufacture and, therefore, subject to control. Signatories to the Convention accept the obligation to enact national laws and regulations to carry out its provisions.

In 1990, the Inter-American Drug Abuse Control Commission of the Organization of American States (CICAD) approved Model Regulations for the control of drug-related chemicals that set a high standard for government action. In June 1999, the Model Regulations were updated to cover all the chemicals included in the 1988 UN Drug Convention, and to strengthen domestic and international chemical controls and enforcement provisions and authorities. Many Latin American countries have adopted chemical control laws and regulations based on the CICAD Model Regulations.

The European Union has two chemical control regulations binding on all member states. The first, issued in 1990, meets the chemical control provisions of the 1988 UN Drug Convention. The second, issued in 1992, expanded the first to incorporate the more comprehensive recommendations contained in the 1991 G-7 Chemical Action Task Force Report. The regulations have been recently updated to better deal with the problem of synthetic drug chemicals.

The United States and other governments use the annual meetings of the United Nations Commission on Narcotic Drugs (CND) to promote international acceptance of chemical control, to highlight emerging chemical control concerns, and to promote mechanisms for information exchange.

The CND is also used to focus international attention on the use by traffickers of substitute chemicals in place of those controlled under international conventions, particularly in the manufacture of synthetic drugs. In 1996, the United States introduced a resolution which was adopted by the CND requesting the UN International Narcotics Control Board (INCB), with the UN International Drug Control Program, to establish a limited international special surveillance list of chemicals not included in the conventions for which substantial information exists of their use in illicit drug manufacture. In 1998, the INCB, drawing on contributions of different governments, established the list to alert governments to the chemicals.

The June 1998 “United Nations General Assembly Special Session Devoted to Countering the World Drug Problem Together” (UNGASS) was an important vehicle for promoting chemical control. Two of the five action plans adopted by the Special Session—those dealing with amphetamine-type stimulants and their precursors and the control of precursors—were directly connected to chemical control. The April 2003 CND will review progress to date in achieving the goals and objectives laid out in the UNGASS documents.

The U.S. has a chemical control agreement with the European Union, signed on May 28, 1997. It is particularly valuable in that it involves a 15-Member State organization representing some of the world’s major chemical manufacturing and trading nations. It also importantly provides for the exchange of information on chemical transactions with third countries.

### *Tactics Used to Obtain Chemicals*

The huge trade in chemicals, both domestic and international, offers multiple opportunities for their diversion from legitimate commerce. This is the principal method used by traffickers to obtain chemicals. In doing so, they use a variety of tactics, exploiting legal and regulatory weaknesses, to circumvent national chemical control laws and regulations. The following are some of the more common diversion and other methods used to obtain chemicals.

- Chemicals are diverted from domestic chemical production to illicit in-country drug manufacture. This requires the domestic capacity to manufacture the needed chemicals, coupled with poor domestic controls on them.
- Chemicals are imported legally into drug-producing countries with official import permits and subsequently diverted. The failure of importing countries adequately to investigate legitimate end-use before issuing import permits, and the acceptance by

exporting countries of import permits as sufficient proof of legitimate end-use without any effort at independent verification, make this possible.

- Chemicals are manufactured in or imported by one country, diverted from domestic commerce, and smuggled into neighboring drug-producing countries. Inadequate internal and import controls and weak border security make this type of diversion possible.
- Chemicals are mislabeled throughout a transaction, either domestic or international, as non-controlled chemicals. In this case, the diversion takes place at the manufacturer or distributor level. Poor domestic controls that permit the initial diversion, coupled with the inability of enforcement officials to determine the true nature of the chemicals, permit this form of diversion.
- Chemicals are shipped to countries or regions where no systems exist for their control. This occurs because some chemical source countries do not insist that exports of controlled chemicals be only to countries that have in place viable, countrywide regulatory systems.
- New drugs (“designer drugs”) are developed that have physical and psychological effects similar to controlled drugs, but which can be manufactured with non-controlled chemicals.
- Traffickers manufacture the controlled chemicals they require from unregulated raw materials, a costly and difficult process.

These tactics are masked by the use of front companies, false invoicing, multiple transshipments, use of free trade zones, and any other device that will conceal the true nature of the product, its ultimate recipient or its final end-use.

There is some recycling of the solvents used in illicit drug manufacture; recycling cannot be used for acids, alkaline materials or oxidizing agents. Since recycling requires some sophistication, and there is a loss of chemical with each recycling process, it is not a preferred method for unsophisticated heroin and cocaine laboratories. The precursor chemicals used in the manufacture of synthetic drugs such as methamphetamine and Ecstasy cannot be recycled.

### ***2002 Chemical Diversion Control Trends and Initiatives***

Positive movement to develop multilateral cooperative systems to control better the chemicals and equipment required for amphetamine-type-stimulants (ATS) manufacture, and the re-emergence of opium poppy cultivation in Afghanistan, creating a demand for chemicals to process it into heroin, were the two major international developments in chemical control during 2002. Operations Purple and Topaz – efforts aimed at controlling potassium permanganate and acetic anhydride—continue, but so does the trend noted last year of traffickers turning to countries not participating in the operations to obtain these chemicals.

The International Narcotics Control Board (INCB) has taken the lead in the design and promotion of Project Prism, a voluntary multilateral initiative to assist governments in preventing the diversion of chemicals and equipment to illicit ATS manufacture. The INCB convened and DEA hosted an initial organizational meeting in Washington in June 2002. The USG and the European Commission helped fund the meeting. Delegations from over 38 governments and international organizations attended.

The objectives of the meeting were to initiate an international project to assist governments in:

- Developing and implementing standard mechanisms and operating procedures to more effectively control and monitor both international trade and domestic distribution of ATS precursors to prevent diversion from these sources; and
- Developing and implementing effective mechanisms to carry out international follow-up investigations by law enforcement authorities into seizures, diversions and smuggling of ATS precursors with a view to tracking back to their sources.

The June meeting established a task force to carry forward the established objectives. It met twice in 2002, in August in Vienna, Austria and in December in The Hague, The Netherlands. Two backtracking operations have been launched on seized materials and chemicals to attempt to determine their sources.

The ATS problem is complicated by the changing nature of the drugs and the chemicals used in their manufacture. Traffickers design new drugs – “designer drugs” – with the same physical/psychological effects of regulated drugs to escape controls. They can also use unregulated substitute chemicals in their manufacture. So in addition to controlling already regulated drugs and chemicals, systems have to be devised to identify and bring under control new drugs and the chemicals used in their manufacture. A persistent problem has also been the advertisement and sale of ATS chemicals and equipment on the Internet.

Operation Topaz took on new importance in 2002 with the re-emergence of opium poppy cultivation in Afghanistan after the dip caused by the Taliban poppy ban in 2000. The INCB organized an informal roundtable consultation in Tashkent, Uzbekistan in October 2002, with Afghanistan and its northern neighbors, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Also attending were representatives from Germany, China, Russia, the United Kingdom, South Africa and the USG, all Operation Topaz participants. A principal purpose of the meeting was to brief the regional countries on Operation Topaz and to invite their participation.

While Uzbekistan already participates and is on the Topaz steering committee, the other neighboring countries declined to join. The Afghan delegation readily agreed to join, but the country lacks sufficient infrastructure to participate fully.

Operation Topaz now has 40 participating countries. The INCB reports that during the period January 1-June 30, 2002, 1,962 pre-export notifications involving 222,000 metric tons of acetic anhydride were submitted. During the same period, the authorities of India, Russia and Turkey reported fifteen seizures of acetic anhydride, totaling 33 metric tons.

The effectiveness of Operation Purple has diminished, after its successful start. Since its inception in April 1999 through June 30, 2002, 1,658 shipments totaling approximately 44,934 metric tons of potassium permanganate have been tracked and 66 shipments totaling 4,326 MT have been stopped or seized.

A shift in trade patterns to non-Operation Purple countries has been detected. INCB figures show that during the period January 1-June 30, 2002, 162 shipments totaling 3,690 MT were destined to 46 non-participating countries. This represents 57 percent of total shipments, and 53 percent of the quantities shipped during the period.

### ***The Road Ahead***

Three of the most important challenges for 2003 will be the effective initiation of Project Prism, the continuation of Operations Purple and Topaz, and the increased involvement of law enforcement agencies in the implementation of national chemical control laws and regulations. The achievement of the third will have an important impact on success in the first two.

The international consensus that more needs to be done to battle synthetic drugs is an opportunity to develop specific multilateral mechanisms for the control of their precursor chemicals. Project Prism is a

direct result of this. For it to succeed the initial level of involvement and enthusiasm must be maintained; this is a major goal for 2003.

Operation Topaz needs to be maintained and strengthened. There are two important elements to this. Non-participating countries that trade in the chemicals involved need to join, and direct communications between participating countries concerning bilateral chemical transactions and those with third countries need to be expanded. An additional specific goal is to restrict and stem the flow, primarily through smuggling, of acetic anhydride into Afghanistan.

The involvement of law enforcement agencies in the implementation of national chemical control laws and regulations is essential to their success. Some governments assign responsibility for chemical control to commerce or health ministries because it involves trade regulation or, in the case of ATS precursors, pharmaceutical-related chemicals. However, chemical diversion is a criminal activity undertaken by criminals to obtain chemicals illegally to manufacture heroin, cocaine and synthetic drugs. Law enforcement personnel are best trained and equipped to investigate and stop diversion and to arrest those involved. Law enforcement agencies are also best able to exchange and use information in pursuit of this goal. So, regardless of what agency has primary responsibility for chemical control, law enforcement must be involved in its implementation.

## Major Chemical Source Countries

The countries included in this section are those with large chemical manufacturing or trading industries that have significant trade with drug-producing regions, and those countries with significant chemical commerce susceptible to diversion domestically and smuggling into neighboring drug-producing countries. Designation as a major chemical source country does not indicate a country lacks adequate chemical control legislation and the ability to enforce it. Rather, it recognizes that the volume of chemical trade with drug-producing regions, or proximity to them, makes these countries the sources of the greatest quantities of chemicals liable to diversion. The United States, with its large chemical industry and extensive trade with drug-producing regions, is included in the list.

Many other countries manufacture and trade in precursor chemicals, but not on the scale, or with the broad range of precursor chemicals, of the countries in this section. These designations are reviewed annually. Canada has been added for the first time because of the large increase in its imports of pseudoephedrine, a controlled chemical used in the manufacture of methamphetamine, which is susceptible to smuggling into the United States.

Article 12 of the 1988 UN Drug Convention is the international standard for national chemical control regimes and for international cooperation in their implementation. The Annex to the Convention lists the 23 chemicals most essential to illicit drug manufacture. The Convention includes provisions for the Parties to maintain records on transactions involving such chemicals, and to provide for their seizure if there is sufficient evidence that they are intended for illicit drug manufacture.

### *Western Hemisphere*

#### **Argentina**

Argentina is one of the largest producers of chemicals in South America. It is a party to the 1988 UN Drug Convention and has laws meeting the convention's requirements for record keeping, import and export licensing, and the authority to suspend shipments. Presidential decrees have added the requirement that all manufacturers, importers and exporters, distributors, and transporters be registered with the Secretariat for the Prevention of Drug Addiction and Narcotics Trafficking (SEDRONAR).

During 2002, elements of the Argentine Government, including SEDRONAR, Gendarmeria Nacional and the National Police, jointly worked toward improving the country's chemical control system and interagency cooperation. SEDRONAR is the lead agency, and regulatory inspections of chemical companies are now taking place. Since SEDRONAR does not have the law enforcement authority to investigate companies, it is attempting to establish an informal task force with the Gendarmeria Nacional, Customs, the National Police, and the Buenos Aires Provincial Police who do have these authorities.

The USG continues to work with Argentine authorities to discuss and identify solutions to the problems of controlling domestic and international diversion of Argentine chemicals. Argentina is a participant in Operation Topaz and Operation Seis Fronteras, and recorded the second highest total of chemical seizures of the participating countries in the latter operation. Argentine and U.S. law enforcement personnel exchange chemical control information in the normal course of law enforcement cooperation.

## Brazil

Brazil has South America's largest chemical industry. It also imports significant quantities of chemicals to meet its industrial needs. The country is a party to the 1988 UN Drug Convention.

Brazilian law requires registration with the Federal Narcotics Police of all producers, transporters and distributors of precursor chemicals. New regulations, effective in January 2002, increased the number of controlled chemicals to 150. The law gives the chemical section of the Drug Enforcement Division of the Federal Police the authority to add or delete chemicals. The regulations also require that currently registered chemical handlers re-register. The re-registration will be approved after the authorities have inspected the facilities. Records are required and the companies on a monthly basis must submit audits and reports.

In February 2002, 46 agents of the Brazilian Federal Police attended the DEA academy in Quantico, Virginia. The agents are part of a special vetted investigative unit working closely with DEA. Of the 46, 20 will be working directly in a unit dedicated to chemical control. Nevertheless, an overall shortage of agents and resources, as well as other law enforcement priorities, hinders the development and expansion of this unit.

Brazil continues to support and participate in international initiatives targeting chemical diversion, such as Operations Purple and Topaz, and the new Project Prism. It also participates in Operation Seis Fronteras, a regional exercise involving Argentina, Brazil, Colombia, Ecuador, Peru, Venezuela and DEA to concentrate counternarcotics law enforcement efforts on chemical control.

Brazil has established procedures under which records of transactions in precursor and essential chemicals can be made available to other countries' law enforcement authorities. The 1995 bilateral U.S./Brazil Counternarcotics Agreement provides the formal basis for information sharing with U.S. authorities.

## Canada

Canada has become a significant producer and transit country for precursor chemicals and over-the-counter drugs used to produce synthetic drugs. The chemical most widely used for this purpose is pseudoephedrine, a regulated chemical on list 1 of the 1988 UN Drug Convention and a key chemical used for the manufacture of methamphetamine. Canada has not controlled imports of this chemical, with the result that legal imports, primarily from China, India and Germany, more than quadrupled from 1977 through the first nine months of 2001. Significant amounts of these imports were smuggled into the U.S., either in bulk, or in tablet form as an antihistamine, for use in U.S. methamphetamine labs. In January 2002, U.S. law enforcement, together with the Royal Canadian Mounted Police, announced the arrest in the U.S of 121 individuals involved in the smuggling. Over 30 tons of pseudoephedrine were seized. This represents 25 percent of the pseudoephedrine legally imported into Canada in 2001. Other precursor chemicals available in Canada that are used in the manufacture of synthetic drugs include sassafras oil, piperinol and gamma butyrolactone.

The Government of Canada has passed legislation to strengthen chemical controls. The promulgation of regulations on January 9, 2003 brought the chemical control provisions of the Controlled Drugs and Substances Act into force. The new legislation provides for control of the 23 chemicals listed in the 1988 UN Convention. The agency with primary responsibility for implementing the legislation is Health Canada, but lead enforcement responsibility lies with the Royal Canadian Mounted Police. At the request of Health Canada, DEA has sent a chemical diversion investigator and chemical diversion program analyst to Ottawa to advise on U.S. experience in implementing chemical controls.

Canada is a party to the 1988 UN Drug Convention. Cooperation between U.S. and Canadian law enforcement agencies in chemical control has been good, within the constraints of the unrestricted import situation that had existed before January 2003. Canadian law enforcement agencies share chemical transaction information available to them with U.S. law enforcement.

### **Mexico**

Mexico has major chemical manufacturing and trading industries that produce, import or export most of the chemicals necessary for illicit drug manufacture. Mexico is an importer of potassium permanganate, and has become a transit country for the illicit exportation of the product to the Andean region. Mexico manufactures, imports and exports acetic anhydride. Mexico is a significant importer of ephedrine and pseudoephedrine. During 2002, Mexican authorities seized one of the largest Ecstasy labs in the world. However, Mexico has yet to establish controls for methylamine, an Ecstasy precursor.

Comprehensive chemical control legislation adopted in 1997 placed 24 chemicals under government regulation. In September 1998, implementing regulations were published that established reporting and notification requirements for the import and export of these chemicals, and authorized Mexican officials to share information with foreign governments. The laws and regulations meet the requirements of the 1988 UN Drug Convention, to which Mexico is a party. However, enforcement of these laws and regulations has been weak. Chemical control and enforcement responsibilities are splintered among numerous different government entities, leading to information gaps, duplication of efforts, and lack of accountability coordination and cooperation.

Mexico is a participant in Operation Purple. Nevertheless, more than half the potassium permanganate seized in Colombia since the operation's inception in 1999 came clandestinely from Mexico.

Mexico also is a participant in Operation Topaz, the international initiative to track acetic anhydride shipments. Mexico manufactures, imports and exports this heroin essential chemical, but Mexico has failed to provide pre-export notification from shipments of this chemical as required by Operation Topaz guidelines and the 1988 UN Drug Convention.

The U.S.-Mexico bilateral chemical control working group, established in 1996, met once in 2002, for a frank discussion of challenges and proposed plans of action. Communications and information sharing have improved. However, problems have surfaced when chemical shipments have been voluntarily suspended or detained by U.S. authorities at the request of Mexican counterparts, because they lacked proper import permits or notifications. The Mexican Health Quality Commission subsequently authorized all but one of these shipments, undermining the efforts of U.S. and Mexican investigators.

As 2002 drew to a close, there were promising changes in Mexico's organization and commitment to implement a sound chemical control program. Unannounced inspections of chemical firms have begun. The elements of the Attorney General's Office responsible for investigating chemical diversion have pledged to cooperate with regulatory officials in the conduct investigations of suspect shipments, persons and firms.

### **The United States**

The United States manufactures and/or trades in all 23 chemicals listed in the Annex to the 1988 UN Drug Convention. It is a party to the Convention and has laws and regulations meeting its chemical control provisions.

The basic U.S. chemical control law is the Chemical Diversion and Trafficking Act of 1988. This law and three subsequent chemical control amendments were all designed as amendments to the U.S. controlled substances laws rather than stand-alone legislation and are administered by the Drug Enforcement Administration (DEA). In addition to registration and record keeping requirements, the legislation requires traders to file an import/export declaration at least 15 days prior to shipment of regulated chemicals. DEA uses the 15-day period to determine if the consignee has a legitimate need for the chemical. Chemical diversion investigators are assigned to DEA offices in 10 key countries and one at INTERPOL to assist in determining legitimate end-use. In other countries, DEA agents perform this task. The diversion investigators and agents work closely with host country officials in this process. If legitimate end-use cannot be determined, the legislation gives DEA the authority to stop shipments.

The legislation also requires chemical traders to report to DEA suspicious transactions such as those involving extraordinary quantities, unusual methods of payment, etc. Close cooperation has developed between the U.S. chemical industry and DEA in the course of implementing the legislation.

The U.S. aggressively investigates cases of suspected chemical diversion, especially to illicit methamphetamine labs, and applies the whole gamut of criminal, civil and administrative sanctions to violators. Criminal penalties for chemical diversion are strict; they are tied to the quantities of drugs that could have been produced with the diverted chemicals.

The U.S. has been active in initiating and supporting cooperative multilateral chemical control initiatives. The United States chaired the G-7 Chemical Action Task Force whose 1990 report established many of the standards and procedures now applied to international chemical control. The Multilateral Chemical Reporting Initiative, which provides the information exchange procedures for subsequent chemical tracking operations, was a U.S. initiative. DEA organized the two international conferences in 1999 that resulted in Operation Purple. The U.S. participated in and supported the meeting in 2000 organized by the International Narcotics Control Board to plan Operation Topaz.

The U.S. organized and hosted a June 2002 meeting in Washington, chaired by the International Narcotics Control Board, to design an international initiative to better control the chemicals and equipment used in the manufacture of synthetic drugs. The European Union helped finance the meeting. The U.S. serves on the “task force” or steering group for the initiative, Project Prism, which the meeting agreed to launch.

## *Asia*

### **China**

China has a large chemical industry. It is a major producer of acetic anhydride, potassium permanganate, ephedrine, and pseudoephedrine, all chemicals on list 1 of the 1988 UN Drug Convention. The country is a party to the 1988 UN Drug Convention and has regulations for record keeping and import/export controls on the 23 chemicals included in the Convention. Several provinces, including Yunnan (which shares a border with Burma), have more stringent controls than called for in the Convention.

The Chinese Public Security Bureau maintains a small chemical control unit in Beijing to investigate chemical diversion and to verify the legitimacy of chemical handlers and transactions. In the provinces, provincial police only address controlled chemicals when they are discovered at a clandestine laboratory. China also requests “letters of no objection” from importing countries prior to authorizing exports of methamphetamine precursor chemicals. China participates in Operations Purple and Topaz and Project Prism.

Despite adequate legislation, China is a significant source country for chemicals diverted worldwide for the illicit production of cocaine, heroin, methamphetamine, and ecstasy. The country lacks the infrastructure to monitor adequately its large chemical production capacity and its international trade in chemicals.

U.S. and Chinese cooperation in chemical control is good, within the limits of Chinese capabilities. Information is exchanged through mechanisms such as Operations Purple and Topaz and in the course of normal counternarcotics cooperation.

### **India**

India continues to be a focal point for the procurement of diverted chemicals in South Asia. It is a producer of ephedrine, pseudoephedrine and acetic anhydride, sought for amphetamine, methamphetamine and heroin manufacture in Burma and heroin manufacture in Afghanistan.

India is a party to the 1988 UN Drug Convention, but it does not have controls on all the chemicals listed in the convention. There are controls on the chemicals most likely to be diverted, ephedrine, pseudoephedrine, acetic anhydride, and N-acetylanthranilic acid, all chemicals listed in the convention. The Indian Government has proposed controls on anthranilic acid, since it has been misused in the manufacture of methalqualone (mandrax). India is a major source of methalqualone illicitly exported to Africa, especially South Africa, and seizures of illicit methalqualone exports have increased sharply in the past few years.

The Government of India has made significant progress in controlling the production and export of controlled chemicals. There is a system of letters of no objection from the importing country to regulate exports of controlled chemicals. Imports of acetic anhydride also require no-objection certificates issued by the Central Bureau of Narcotics.

Indian authorities have been very cooperative with the U.S. on letters of no objection and verification of end-users, especially with regard to ephedrine and pseudoephedrine. Information is shared between Indian and U.S. authorities and India is a participant in Operations Purple and Topaz and Project Prism. India co-chairs the steering committee for Operation Topaz.

### ***Europe***

Chemical diversion control within the European Union (EU) is regulated by two EU regulations binding on all Member States. The first, issued in 1990, meets the chemical control provisions of the 1988 UN Drug Convention. The second, issued in 1992, expanded the first to incorporate the more comprehensive recommendations contained in the 1991 G-7 Chemical Action Task Force Report. The EU regulations include provisions for record keeping on transactions in the chemicals listed in the 1988 UN Drug Convention, require a system of permits or declarations for exports and imports of regulated chemicals, and authorize governments to suspend chemical shipments. EU member states implement the regulations through national laws and regulations.

The EU regulations govern the regulatory aspects of chemical diversion control. Member States are responsible for the criminal aspects, investigating and prosecuting violators of the national laws and regulations implementing the EU regulations.

The U.S./EU Chemical Control Agreement, signed May 28, 1997, is the formal basis for U.S. and EU Member State cooperation in chemical control. The agreement calls for annual meetings of a Joint Chemical Working Group to review implementation of the agreement and to coordinate positions in other areas. The annual meeting has been particularly useful in coordinating national or joint initiatives such as resolutions at the annual UN Commission on Narcotic Drugs.

Bilateral chemical control cooperation is also good between the U.S. and EU Member States, and many are participating in and actively supporting voluntary initiatives such as the Multilateral Chemical Reporting Initiative, Operations Purple and Topaz, and the new Project Prism.

Germany and The Netherlands, with large chemical manufacturing or trading sectors and significant trade with drug-producing areas, are considered the major European chemical source countries. Other European countries have important chemical industries, but the level of chemical trade with drug-producing areas is not as large and broad-scale as these countries.

### Germany

Germany's large chemical industry manufactures and sells most of the precursor and essential chemicals used in illicit drug manufacture. Germany is a party to the 1988 UN Drug Convention and has chemical control laws and regulations, based on the EU regulations, meeting the Convention's requirements. The federal Precursor Control Act criminalizes the diversion of controlled chemicals for the illicit manufacture of drugs. The 1994 code was amended in 2002, and a regulation for criminalizing violations of the EU chemical regulations was adopted.

Precursor control as a preventive measure is a major focus in combating drug crime in Germany. The country has an effective and well-respected chemical control program that monitors the chemical industry, as well as chemical imports and exports. Cooperation between chemical control officials and the chemical industry is a key element in Germany's chemical control strategy. The Federal Police in cooperation with German Customs have a very active Joint Precursor Chemical Unit based in Wiesbaden devoted exclusively to chemical diversion investigations.

Germany is in the forefront in international cooperation in chemical control. It developed and promoted the concept that led to Operation Purple and co-chairs its Steering Committee. Germany was one of the leaders in the organization of Operation Topaz and is now actively participating in its operation. It actively supports the new Project Prism.

German chemical control officials and DEA counterparts maintain a close working relationship. A DEA Diversion Investigator in DEA's Frankfurt Resident Office spends at least one day per week with the Joint Precursor Chemical unit working on chemical issues of concern to both countries. This arrangement allows for the real-time exchange of information.

### The Netherlands

The Netherlands is a major chemical trading country with some 2,400 companies involved. There are large chemical storage facilities, and Rotterdam is the world's busiest port. These combine to make the country attractive to criminals seeking chemicals for illicit drug manufacture.

The Netherlands is a party to the 1988 UN Drug Convention and has legislation meeting the chemical control requirements of the Convention and the EU regulations. The 1995 Act to Prevent Abuse of Controlled Substances provides for prison sentences (maximum of six years), and fines (up to \$50,000) or asset seizures for chemical diversion offenses. The Fiscal Information and Investigative Service and the Economic Control Service oversee implementation of the law. A May 2001 government offensive against synthetic drugs included measures to intensify controls on chemical trade.

The Netherlands supports and participates in multilateral chemical control initiatives such as Operations Purple and Topaz. It is taking an active role in the development of Project Prism, and it hosted an important organizational meeting for the project in December 2002.

Large quantities of Ecstasy are manufactured in The Netherlands. The government has concluded that most of the chemicals required for this manufacture come from China. The government has decided to provide the International Narcotics Control Board and exporting countries (mostly China) with administrative information on precursor seizures. However, in view of the human rights situation in China, The Netherlands will not enter into a mutual legal assistance treaty with that country and will not provide criminal information.

The Dutch work closely with the U.S. on precursor controls and investigations. This cooperation includes formal and informal arrangements for information exchange. U.S. and Dutch authorities cooperate closely in multilateral operational initiatives and in international meetings such as the Commission on Narcotic Drugs.

## Major Drug Countries

Drug manufacture requires significant quantities of chemicals. Most major illicit drug manufacturing countries do not produce all the required chemicals, and traffickers must meet their chemical requirements from external sources. This section summarizes the sources of chemicals used in major drug manufacturing countries and their initiatives to control these chemicals.

### *Asia*

#### **Afghanistan**

Afghan opium poppy cultivation is rising again after a lull resulting from 2000 Taliban poppy ban. Afghanistan is in a position to become again the world's largest heroin producer. The chemicals required for heroin processing must come from abroad. The principal sources have been Europe, the Central Asian States and India. They are smuggled through the Central Asian States, the Persian Gulf and Pakistan, after being diverted elsewhere.

Afghanistan is a party to the 1988 UN Drug Convention. Article 27 of Afghanistan's 1990 drug control law, still considered to be in effect, states: "Anyone found to be importing equipment and chemicals for drug production or using them for drug production shall be sentenced to long-term or life imprisonment depending on the circumstances, and the equipment shall be confiscated on the court order."

The Transitional Islamic State of Afghanistan is currently working on a new drug law that will meet international standards. The country has also joined Operation Topaz, but it lacks the infrastructure to participate effectively. Until the infrastructure is developed, Afghanistan will require regional cooperation to prevent the transit of chemicals for smuggling into the country.

#### **Burma**

Burma is a major heroin and amphetamine-type-stimulant producer. Burma does not have a chemical industry and chemical requirements are met primarily by smuggling from China and India of chemicals diverted in those countries.

Although a party to the 1988 UN Drug Convention, Burma does not have laws and regulations to meet its chemical control provisions. In 2002, the Ministry of Health issued notification No.1/2002 identifying 25 substances as precursor chemicals and prohibiting their import, sale or use in Burma.

Burma is one of six regional countries participating in the UN International Drug Control Program's sub-regional action plan for controlling precursor chemicals and reducing illicit drug production and trafficking in the highlands of Southeast Asia. Burma is a nominal participant in Operation Topaz, but has not been represented at any of its meetings.

### *Latin America*

#### **Bolivia**

Bolivia is not a major producer of precursor chemicals. Most chemicals required for illicit drug productions are smuggled from neighboring countries.

Bolivia is a party to the 1988 UN Drug Convention, and has the legal framework for implementing its chemical control provisions. Bolivia has developed a national chemical control strategy. The implementing agency is the National Directorate for the Control of Chemicals, which under Bolivian Narcotics Law 1008 has the authority to register and inspect all controlled chemical handlers. The agency also approves all importation, exportation and domestic distribution of controlled chemicals. The National Directorate works with the Bolivian Chemical Control Police to monitor and inspect registered Bolivian chemical companies. In response to the Bolivian chemical control programs, traffickers have been forced to alter the cocaine production process, substituting inferior and recycled chemicals. They have, however, been able to maintain a fairly high level of purity for cocaine base. Based on a study of 108 samples taken in the Chapare in 2001 and 2002, the average purity of cocaine case tested was 74 percent.

Bolivia participates in voluntary multilateral chemical control initiatives such as Operation Purple and Operation Seis Fronteras, and cooperates closely with U.S. officials.

### **Colombia**

Colombia is the world's largest producer of cocaine and an important producer of heroin. This requires chemicals, most of which are imported into the country with valid import licenses and subsequently diverted. Lesser amounts are smuggled in from neighboring countries, Brazil, Ecuador and Venezuela.

Colombia has chemical control laws meeting or exceeding the requirements of the 1988 UN Drug Convention to which it is a party. Regulatory inspections and criminal investigations of registered chemical companies are conducted by the Colombian National Police Anti-Narcotics Chemicals Units.

In addition, the units also work with the Direccion Nacional de Estupeficientes to conduct operations targeting chemical companies authorized to handle the key cocaine and heroin precursors, potassium permanganate and acetic anhydride, in order to determine their legitimate industrial needs.

A major problem in Colombian chemical control is the system for issuing import permits. They are not reliable proof that the legitimate end-use for the chemicals has been verified prior to issuance. There have been numerous cases of diversion in which the Colombian importer had a valid import permit, and the diversion was accomplished after the legal importation. The permits are also issued for lengthy periods of time, rather than on a shipment-by-shipment basis.

Colombia participates in Operations Purple and Topaz, and Operation Seis Fronteras.

### **Peru**

Peru produces some of the chemicals required for cocaine processing. The remainder are imported legally and diverted, as with domestically produced chemicals, or smuggled in, usually via rivers from Brazil and Colombia.

Peru is a party to the 1988 UN Drug Convention and has laws meeting its chemical control provisions. However, the laws need to be strengthened to establish a tracking system for the sale and distribution of controlled chemicals, and to increase the criminal penalties for trafficking in controlled chemicals. Legislation on both issues is pending.

U.S. and Peruvian authorities cooperate closely in chemical control. The Government has requested U.S. assistance in improving Peruvian chemical importation regulations, and to consider safe chemical disposal options. Peru is a strong supporter of Operation Seis Fronteras and participates in Operation Purple.