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Expert Talk



Stemming The Flow Of Precursor Chemicals From India

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India's position as the world's third largest pharmaceutical producer by volume has inadvertently positioned the country as an attractive source of precursor chemicals. According to the 2010 International Narcotics Control Board (INCB) annual report, India is now the major source of diverted precursor chemicals. These chemicals are vital ingredients in the manufacture of narcotics such as amphetamine-type stimulants (ATS), methamphetamine, heroin and cocaine.

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The control of precursor chemicals is increasingly fundamental to the war against drugs. While precursor control was included in the United Nations 1988 Convention against the Illicit Traffic in Narcotics Drugs and Psychotropic Substance, in recent years it has become much more central to the counter-narcotics strategy of governments around the world.

Ephedrine and Pseudoephedrine – Precursors of Concern

The primary chemicals of concern are ephedrine and pseudoephedrine which are used in the illicit manufacture of methamphetamine. In the recent years, some countries in Asia have registered increased users of ATS and other synthetic narcotics, underscoring the global trends of increase. Ephedrine is used in the manufacture of asthma medication in India, but it is also the key ingredient in the production of the ATS known as 'Yaba' in Thailand. Yaba is a very popular party drug in China, Japan, Malaysia and Indonesia and Australia.

According to the INCB report, in 2008 India was a leading exporter of ephedrine and pseudoephedrine, 189 mega tons and 462.8 mega tons respectively. From the 10 month export figures, it appears that India will continue to be the top exporter by volume in 2010. China and India are the two countries most often reported as sources of seized illicit shipments of ephedrine and pseudoephedrine. From India, consignments of these chemicals have been trafficked from/via various regions including the Balkans, the Islamic Republic of Iran, Pakistan, Philippines, Syrian Arab Republic, United Arab Emirates and Africa to Mexico, US, Latin America and Europe. A close scrutiny at the ephedrine seizure incidents in the past year indicates that Chennai is becoming a transit point for the smuggling of precursor chemicals to South-East Asia. Recently, three people, including a Malaysian national, were arrested with 300 kg of ephedrine. Cambodia, Canada, Spain, Taiwan Province of China and United Kingdom have been cited as final destinations of ATS.

Emerging Trends

India has been identified as a significant source for shipments of precursor chemicals to newly targeted countries in both Africa and the Americas. Law enforcement agencies have made major seizures of ephedrine and pseudoephedrine over the last few years which confirm that there is diversion of these substances from legitimate trade channels despite the stricter controls imposed by the Government of India (GOI). More than one mega ton of pseudoephedrine was seized in the USA



Due diligence will help reduce the risk of precursors being diverted to illegal drug laboratories

in August 2008, shipped by a company in India and destined for Central America – the ultimate destination was declared to be Mexico which has been identified as the major supplier of methamphetamine to the US market. According to sources, in the past five years, India's illicit trade with Mexican drug cartels has grown significantly. It is believed that the primary buyers of ephedrine from the region are the Mexican drug cartels – who operate methamphetamine laboratories in Mexico, India and East European countries. In November 2010, the Narcotic Control Board (NCB) of India raided an unlicensed factory in Maharashtra and Gujarat and seized 330kg of ephedrine crystal powder, worth Rs 5 crore (US\$4,000 per kg) allegedly intended to be smuggled to Mexico.

Despite the government's control efforts, the pharmaceutical industry continues to be targeted by organised crime as a key source for ATS precursors and now manufactured narcotics. In one of the biggest international drug cartel bust in the recent years, the NCB raided two clandestine narcotics laboratories in Mumbai and seized 8.5 kg methamphetamine, 60 kg of ephedrine and huge quantities of other chemicals worth Rs 25 crore (US\$20,000) on the black market. Eight foreign nationals including six Iranians, an Indian-origin Dutch national and a Colombian national were arrested. According to the officials, *"they had come to India on tourist visas to manufacture methamphetamine and then smuggle it to the USA"*.

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Since ATS can be produced anywhere depending on the availability of the precursors, there is an emerging trend that ATS is being produced in factories in and around Mumbai and then couriered from India to Honduras, Mexico and USA through the network of international narcotics trafficking cartels.

Emerging Concerns

India has become vulnerable to trafficking in narcotics and precursor chemicals owing to several factors. First, geographical proximity to major markets for illicit drugs, particularly ATS, along with its porous borders makes India a frequent drug transit point. There are risks of a spillover of illicitly manufactured or trafficked substances into the domestic market that can easily escalate and new forms of drug use can become a major public health concern for the government.

Second, India is a major manufacturer of pharmaceuticals which offers wide availability of precursor chemicals. Today, with greater technical know-how about the precursors, criminal organizations have become increasingly innovative in circumventing controls. They are able to quickly retool manufacturing processes, develop new products, source new precursor chemicals and disguise their intentions by using complex supply routes for sourcing the required chemicals. Some of the tactics applied by them are the usage of front companies, false invoicing, multiple transshipments and usage of free trade zones to disguise the true nature of the product, its ultimate recipient or its final end-use.

The strengthening and expansion of narcotics trafficking network in the region has led to an increase in these transnational organized crime activities. It is a worrying

trend as it has wide socio-economic ramifications due to its linkages to terrorist activities, money laundering, arms and human trafficking.

The Indian government is actively involved in operations like Project Prism which target precursors to manufacture ATS. Engaging in narcotics trafficking and associating with funds coming through drug proceeds are both actionable under Narcotics Drugs and Psychotropic Substance (NDPS) Act and Prevention of Money Laundering Act, 2005 (PMLA). With law enforcement agencies becoming more stringent in the identification of narcotics syndicates, pharmaceutical companies must comply with legal requirements and ensure that record keeping and security procedures are in place to reduce the opportunity for diversion from manufacturing sites. Financial institutions that support this international trade infrastructure must be aware of the imminent risks involved and adapt effective measures to detect transactions involving illicit precursor diversion.

About The Author

Preeti Prakash is a Research Analyst in the Organised Crime Research Unit at World-Check. Her area of responsibility is to cover organised crime, narcotics trafficking and arms trafficking across South Asia including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Preeti has a Master's in Public Policy with specialisation in International relations and security studies from Lee Kuan Yew School of Public Policy, at National University of Singapore.