



U.S. DEPARTMENT of STATE

Presidential Determination on the Major Methamphetamine Precursor Chemical Exporting and Importing Countries

U.S. Department of State
Bureau of International Narcotics and Law Enforcement Affairs
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MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Presidential Determination under Section 490(b)(1)(A) of the Foreign Assistance Act Relating to the Largest Exporting and Importing Countries of Certain Precursor Chemicals

Pursuant to Section 490(b)(1)(A) of the Foreign Assistance Act, I hereby determine that the top five exporting and importing countries of pseudoephedrine and ephedrine in 2005 (Belgium, China, Germany, India, Indonesia, Mexico, Singapore, South Africa, South Korea, Switzerland, Taiwan, and the United Kingdom) have cooperated fully with the United States or have taken adequate steps on their own to achieve full compliance with the goals and objectives established by the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

You are directed to publish this determination in the Federal Register, and are authorized and directed to transmit to Congress the report under Section 722 of the Combat Methamphetamine Epidemic Act.

Justification For Presidential Determination On The Major Methamphetamine Precursor Chemical Exporting And Importing Countries

Section 489(a)(8)(A)(I) and (II) of the Foreign Assistance Act of 1961 (FAA) has been amended by Section 722 of the Combat Methamphetamine Epidemic Act of 2005 (CMEA)(Title VII, P.L. 109-177) to require that the annual International Narcotics Control Strategy Report (INSCR) include the identification of the five countries exporting the largest amount of pseudoephedrine, ephedrine, and phenylpropanolamine (including salts, optical isomers or salts of optical isomers, and also including any products or substances containing such chemicals) during calendar year 2006. Section 722 also requires the identification of the five countries importing the largest amounts of the chemicals noted above during calendar year 2006, with the highest rate of diversion of such chemicals for the illicit production of methamphetamine (either in that country or in another country). The statute requires that the identification be based on a comparison of legitimate demand for the chemicals as compared to the actual or estimated amount imported into the country.

Section 490(b) of the FAA has been amended by the CMEA and requires the President to certify that the top five exporting and importing countries have fully cooperated with the United States to prevent these substances from being used to produce methamphetamine or have taken adequate steps on their own to achieve full compliance with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Absent a Presidential Determination, fifty percent of the foreign assistance allocated in FY 2007 for the designated countries must be withheld.

In complying with the Section 722 requirements, the Departments of State and Justice have determined that phenylpropanolamine is not a methamphetamine precursor chemical, although it can be used as an amphetamine precursor chemical. In 2000, the Food and Drug Administration issued warnings concerning significant health risks associated with phenylpropanolamine, and as a result, manufacturers voluntarily removed the chemical compound from its over-the-counter medicines. The largest U.S. producer ceased production, and today the chemicals are imported only for limited use by veterinarians. The Global Trade Atlas, the source relied upon in this report to determine the top five exporters and importers of ephedrine and pseudoephedrine, does not include data on the export or import of phenylpropanolamine, and no other source of reliable data has been identified. Therefore, it has not been included in this determination. Data on exports and imports of products containing pseudoephedrine and ephedrine are commercial and proprietary and are not available. Data on legitimate demand for these substances are not available at this time. Therefore, this listing of the top five importers does not necessarily demonstrate that these countries have the highest levels of diversion. A U.S. resolution adopted by the March 2006 United Nations Commission on Narcotic Drugs requested countries to provide voluntarily estimates of legitimate demand to the United Nations International Narcotics Control Board, and the estimates should be available for the 2008 determination.

The top five exporters and importers of pseudoephedrine and ephedrine have been identified using 2005 data from the commercially available Global Trade Atlas, which are the latest data available. The top five exporters of pseudoephedrine were Germany, India, China, Switzerland, and Taiwan. The top five exporters of ephedrine in 2005 were India, Germany, Singapore, China, and the United Kingdom. The top five importers of pseudoephedrine in 2005 were the United Kingdom, Mexico, South Africa, Switzerland, and Belgium. The top five importers of ephedrine in 2005 were Singapore, South Korea, Indonesia, South Africa, and the United Kingdom. For purposes of this determination, the United States has been excluded from these lists. Nevertheless, the United States was the largest importer of pseudoephedrine and ephedrine in 2005.

Data on 2005 exports and imports of pseudoephedrine and ephedrine and statements of explanation for these determinations are attached.

The rapidly changing and complex nature of the methamphetamine trafficking threat requires that U.S. government agencies cooperate closely with these countries, as well as work closely with other countries, so as to prevent harm to the health and well-being of people everywhere. Over the next year we will continue to address the threat of methamphetamine precursor chemical diversion and methamphetamine trafficking around the globe.

Certification Determinations Pursuant to the Combat Methamphetamine Epidemic Act

Top Five Exporters and Importers of Pseudoephedrine and Ephedrine - 2005

Exporters (KGs)

Pseudoephedrine	2005
Germany	390,000

India	270,600
China	107,914
Switzerland	41,084
Taiwan	31,546
Sub-Total	841,144
United States	28,895
All Others	19,088
Total	889,127

Ephedrine	2005
India	217,106
Germany	51,000
Singapore	16,350
China	8,955
United Kingdom	4,000
Sub-Total	297,411
United States	5,542
All Others	6,083
Total	309,036

Importers (KGs)

Pseudoephedrine	2005
United Kingdom	203,000
Mexico	124,552*
South Africa	91,400
Switzerland	67,800
Belgium	52,000
Sub-Total	538,752
United States	319,998
All Others	365,419
Total	1,224,169

Ephedrine	2005
Singapore	19,875
South Korea	17,550
Indonesia	16,177
South Africa	14,374
United Kingdom	14,000
Sub-Total	81,976
United States	178,657

All Others	57,274
Totals	317,907

Source: Global Trade Atlas (GTA), Global Trade Information Services, Inc. (www.gtis.com)

* The GTA reports Mexico's 2005 pseudoephedrine imports as 3,115,552 kilograms, of which 3,009,000 were imported from Germany. A cross-reference to Germany's reported exports to Mexico indicate that Germany exported only 18,000 kilograms to Mexico. Therefore, we have revised Mexican imports downward by 2,991,000 kilograms. The Government of Mexico has confirmed this revised data.

Statements of Explanation

Belgium

Belgium was the fifth largest non-U.S. importer of pseudoephedrine in 2005. The domestic pharmaceutical industry is the primary user, although as a trading nation, some may be resold. There is no evidence of widespread diversion to domestic methamphetamine manufacture.

The Belgians responded fully to U.S. requests for cooperation in chemical control and are generally very good at sharing information on precursor chemical matters. Belgium participates with the United States and other nations in cooperative multilateral chemical control initiatives such as Project Prism, targeting precursor chemicals used in the manufacture of synthetic drugs, including pseudoephedrine and ephedrine. During the past year, DEA's office in Brussels has cooperated with Belgian authorities on a number of investigations involving methamphetamine precursors that could have potentially impacted the U.S. drug supply.

Belgium is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substance and is implementing its chemical control provisions.

China

China is one of the three largest manufacturers of pseudoephedrine and ephedrine; in 2005, it was the third largest exporter of pseudoephedrine and the fourth largest exporter of ephedrine. There are reports of domestic diversion that is smuggled into Burma for methamphetamine production. There are also reports of exports to Mexico that have been diverted to methamphetamine production. Exports of pharmaceutical preparations containing pseudoephedrine, which are not controlled by international conventions, have also been diverted to methamphetamine manufacture.

China fully cooperates with U.S. and Mexican initiatives to stem this diversion. In Hong Kong, Chinese authorities have agreed not to export pseudoephedrine and ephedrine and, significantly, pharmaceutical preparations containing them, to Mexico, Panama, and the United States until they receive positive responses from these countries to their pre-export notifications. They also require a positive response to pre-export notifications for all exports of bulk pseudoephedrine and ephedrine before authorizing shipments. China fully supported the negotiated text of the U.S.-drafted resolution targeting synthetic drug chemicals, including methamphetamine chemicals, at the March 2006 UN Commission on Narcotic Drugs. China is actively involved in law enforcement initiatives being developed pursuant to the International Narcotics Control Board's Projects Prism and Cohesion to strengthen chemical diversion control throughout the world, and serves as the Asia regional representative on the Project Prism Task Force.

Bilateral U.S./Chinese chemical control cooperation is excellent. DEA has Diversion Investigator positions in its Beijing and Hong Kong offices. During the past year, the DEA offices in Beijing and Hong Kong participated with Chinese authorities on a number of investigations involving methamphetamine precursors with the potential to impact the U.S. drug supply. In general, Chinese authorities are very good at sharing information on precursor chemical matters, as well as taking an aggressive stance against the potential diversion of large quantities of ephedra, a plant that can be used as a methamphetamine precursor.

China is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and has chemical control laws and regulations meeting its chemical control provisions. Although committed to achieving the goals of the Convention, the size of its chemical industry is not matched by a law enforcement structure adequate to effectively monitor all its chemical production and international trade.

Germany

Germany is another of the three largest manufacturers of pseudoephedrine and ephedrine for its large licit pharmaceutical industry, and for export. In 2005, it was the largest exporter of pseudoephedrine and the third largest exporter of ephedrine.

Germany is one of the United States's closest chemical control partners, cooperating both bilaterally and multilaterally, to promote transnational chemical control initiatives. Germany was a strong supporter of the U.S. resolution targeting synthetic drug chemicals at the March 2006 Commission on Narcotic Drugs. A senior DEA Diversion Investigator from DEA's Frankfurt office is assigned to Germany's police/customs Joint Precursor Unit in Weisbaden. Germany strongly supported the international initiatives, Operation Purple and Operation Topaz, the global efforts to control the diversion of potassium permanganate and acetic anhydride, respectively. These projects are now part of the International Narcotics Control Board's Project Cohesion. We also work together effectively in promoting Project Prism, targeting synthetic drug chemicals, and Germany is a leader in law enforcement initiatives under Project Prism.

Germany is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and implements its chemicals control provisions. Its strong chemical control program is one of the most effective in meeting Convention requirements.

India

India is the third of the three largest producers of pseudoephedrine and ephedrine, both for the domestic pharmaceutical industry and for export. In 2005, it was the second largest exporter of pseudoephedrine and the largest non-U.S. exporter of ephedrine. There are reports of domestic diversion of these chemicals that are smuggled into neighboring Burma for methamphetamine manufacture.

India is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and it has the required controls on pseudoephedrine and ephedrine, although not on all 23 chemicals in the Convention. India has a system of letters of no objection for the export of pseudoephedrine and ephedrine and will not authorize exports until the receiving government approves the import.

U.S. and Indian authorities cooperate closely on letters of no objection and in other areas of chemical control. DEA has a Diversion Investigator assigned to its New Delhi office. The DEA New Delhi office cooperated with Indian authorities in the past year on a number of investigations involving methamphetamine precursors which could have potentially impacted the U.S. drug supply. Indian authorities are extremely good at sharing information on precursor control issues and frequently, in consultation with the International Narcotics Control Board and involved parties, do not allow suspect consignments of precursors to be shipped, if there are concerns regarding their legitimacy.

India fully supported the U.S.-drafted resolution targeting the diversion of synthetic drug precursors at the March 2006 UN Commission on Narcotic Drugs. It is also

actively involved in law enforcement initiatives developed by the International Narcotics Control Board's Projects Prism and Cohesion to halt diversion throughout the world of precursor chemicals to illicit chemical trafficking and drug manufacturing organizations.

Indonesia

Indonesia was the third largest non-U.S. importer of ephedrine in 2005 for use by the domestic pharmaceutical industry. However, there are local methamphetamine laboratories capable of producing multi-hundred pound quantities of methamphetamine, indicating chemical diversion and/or the smuggling of precursors into the country. The methamphetamine is sold in local and regional markets. There is no firm evidence that methamphetamine manufactured in Indonesia, or chemicals transiting Indonesia, have reached the United States or Mexico.

U.S.-Indonesian chemical control cooperation is excellent, although not extensive, given the limited chemical diversion threat Indonesia poses to the United States and Mexico. DEA's office in Singapore is the primary point for counternarcotics cooperation and works well with Indonesian authorities. When requested, the Indonesians have cooperated fully with us in chemical control investigations. For example, in November 2005, the Indonesians seized a large clandestine methamphetamine laboratory in Cikande, Indonesia. Forensic scientists from DEA provided assistance in processing the precursor chemicals found in the laboratory. At present, Indonesians authorities working with DEA and other U.S. authorities, are also conducting a review of Indonesia's chemical control system and its chemical industry.

In 2005, DEA provided training in chemical diversion control to Indonesian officials, as well as several industry representatives. DEA will provide clandestine laboratory training in 2007. Indonesia is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Indonesia participates in Project Prism.

Mexico

In 2005, Mexico was the second largest non-U.S. pseudoephedrine importer. Pseudoephedrine imports serve an important pharmaceutical industry, but there is diversion to major methamphetamine laboratories. There is also false labeling of imports and probable smuggling of precursor chemicals.

The Government of Mexico (GOM) has reacted strongly to the diversion of precursors and the methamphetamine manufacture, implementing strict precursor chemical import quotas and internal chemical distribution controls. Within the last several years, Mexico has begun imposing import quotas tied to estimated legitimate national needs. A study conducted by the GOM estimated that there was an excess of imports of pseudoephedrine products of approximately 60 to 100 metric tons in 2004. The GOM reported that its efforts to control methamphetamine precursor chemicals reduced imports in 2005 by approximately 40 percent and, while a final number has yet to be determined, pseudoephedrine and ephedrine import permits are likely to be reduced to 70 metric tons in 2006. Mexican officials confirm that the 70-ton limit includes combination products containing pseudoephedrine and ephedrine.

Chemical control is one of the closest areas of U.S.-Mexican law enforcement cooperation. We are assisting the GOM as it tightens its chemical controls and Mexico is assisting the United States in preventing illicit sales of precursor chemicals or their smuggling into the United States. In addition, U.S.-Mexican cooperation in targeting methamphetamine trafficking and manufacturing organizations is at an all-time high.

Mexico is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and has laws and regulations meeting its chemical control requirements. Mexico participates in Project Prism.

Singapore

Singapore was the largest non-U.S. importer of ephedrine in 2005 and the third-largest exporter. The quantities not re-exported are used primarily by the domestic pharmaceutical industry. In 2006, there was no known production of illicit narcotics or precursor chemicals in Singapore.

The country is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and controls precursor chemicals, including pseudoephedrine and ephedrine, in accordance with its provisions. It will not authorize imports until it has issued a No Objection letter in response to the exporting country's pre-export notification. Pre-export notifications are issued on all exports. All transshipment cases are treated as an import followed by an export; therefore, the same procedures apply. The government conducts rigorous site visits on companies dealing with controlled chemicals to ensure awareness of the requirements and compliance with them.

Singapore participates in Project Prism and is actively involved in law enforcement initiatives developed under the project to halt worldwide diversion of precursors to illicit chemical trafficking and drug manufacturing organizations. DEA has an office in Singapore that works closely with Singapore authorities on joint investigations and precursor control issues.

South Africa

In 2005, South Africa was the third largest non-U.S. importer of pseudoephedrine and the fourth largest non-U.S importer of ephedrine. The imports are for use by the domestic pharmaceutical industry, which markets both locally and regionally. There is some methamphetamine manufactured in the country for the local market. Cape Town, where the increase in demand for treatment of methamphetamine abuse has been dramatic, is the center of consumption. With few exceptions, there is little evidence that pseudoephedrine and ephedrine imported into South Africa, or methamphetamine manufactured there, reaches the United States or Mexico.

South Africa is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and has import and export controls on the 23 chemicals listed in its tables. The authorities work closely with industry in implementing the controls, and the system is considered the best in Southern Africa.

DEA has an office in Pretoria responsible for all counternarcotics matters, including chemical control. Cooperation with the South African Police and prosecutorial authorities is excellent. In the past year, DEA's Pretoria office participated with South African authorities on a number of investigations involving methamphetamine precursors with a potential to impact the U.S. drug market.

South Africa participates in Project Prism and is a member of the Project Prism Task Force, serving as the focal point for Africa. It is actively involved in chemical control operations developed under Project Prism procedures.

South Korea

In 2005, South Korea was the second largest non-U.S. importer of ephedrine. It is used by the domestic pharmaceutical industry and there have been no exports of ephedrine, pseudoephedrine, or products containing them since 2003. No clandestine laboratories have been found in South Korea since 2004.

South Korea is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and complies with its chemical control provisions. The DEA Office in Seoul cooperates closely with South Korean authorities on all counternarcotics issues. This cooperation includes joint investigations regarding diversion of precursors. DEA has also worked with South Korean authorities and other regional partners on investigations targeting precursors being diverted from other parts of Southeast Asia.

In 2006, DEA held two one-week training seminars on Chemical and Precursor Diversion, co-hosted by the Korean Customs Service and the Korean Food and Drug Administration. South Korea participates in Project Prism, the voluntary multilateral operation tracking synthetic drug chemicals.

Switzerland

Switzerland is the fourth largest importer and exporter of pseudoephedrine. The imports are for both the large domestic pharmaceutical industry and for re-export. There is no evidence that pseudoephedrine is being diverted to methamphetamine manufacture.

In 2005, Switzerland ratified the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substance and is bound by its chemical control provisions. Even before ratification it had strong controls on its international chemical commerce. This allowed it to play an active and constructive role in the U.S.-chaired G-8 Chemical Action Task Force that in the early 1990's developed procedures to assist countries as they implemented the Convention's chemical provisions. Swiss regulatory authorities are very vigilant on chemical control issues, including verifying the legitimacy of end-users.

Switzerland has become a participant in Project Prism and is actively involved in operations conducted under its auspices. The DEA office in Switzerland interacts with both regulatory and law enforcement officials on chemical control issues. Cooperation on chemical investigations is very good.

Taiwan

According to official Taiwan data and the Global Trade Atlas, Taiwan was the fifth largest exporter of pseudoephedrine. However, the data are misleading because a criminal investigation has revealed that during the period 2003-2005, a Taiwan company that had reported exports included in its trade data had actually diverted the chemical to local drug manufacturer for local consumption. Nevertheless, the data show that exports by the sixth-largest exporter were sufficiently small that Taiwan would remain the fifth largest exporter despite the falsely reported exports. The source of the pseudoephedrine exports is limited local production and imports.

DEA cooperates with Taiwan authorities on the full range of counternarcotics issues, and has excellent working relationships with all law enforcement and regulatory agencies involved in precursor control. U.S. and Taiwan authorities have cooperated and continue to cooperate in joint precursor investigations. In 2006, DEA provided in-service training, including chemical control training, to over one hundred Taiwan law enforcement officers.

Taiwan is not a member of the United Nations and, therefore, cannot be a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Nevertheless, Taiwan authorities have amended and passed legislation consistent with the goals and objectives of the Convention. This includes forwarding pre-export notifications to the United States regarding precursor shipments. Taiwan cannot participate in Project Prism because it is a UN-run project. In 2006, the Executive Yuan Anti-Drug Council identified international counternarcotics cooperation and chemical controls as one of the four major areas of its anti-drug policy.

United Kingdom

In 2005, the United Kingdom was the largest non-U.S. importer of pseudoephedrine, the fifth largest importer of ephedrine, and the fifth largest non-U.S. exporter of ephedrine. Most of the imports are for a large pharmaceutical industry. Methamphetamine is growing in notoriety and use, and several small methamphetamine laboratories have been seized. Recognizing the dangers of this substance, in January 2007, methamphetamine was reclassified by British authorities as a Class A drug, bringing it in line with other drugs such as heroin and cocaine. Prior to the reclassification, methamphetamine was a Class B drug.

The United Kingdom is a party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and effectively enforces laws and regulations in accordance with its chemical control provisions.

The United Kingdom is a close partner with the United States in chemical control, both bilaterally and multilaterally. British law enforcement agencies are regularly involved in a wide range of precursor chemical investigations, some of which have led to law enforcement success in the United States as well.

The British have been very active with the United States and others in the design and implementation of Project Prism, and support and participate in chemical initiatives developed under its auspices.



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