

**Bilateral and Multilateral Efforts to Combat the International
Production and Trafficking of Methamphetamine**

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Testimony before the Senate Finance Committee
September 18, 2007**

Chairman Baucus, Senator Grassley, and other distinguished Members, thank you for allowing me this opportunity to provide an update on the Department of State's efforts to combat the international manufacture and trafficking of methamphetamine. On behalf of the Department of State and its Bureau for International Narcotics and Law Enforcement Affairs (INL), I appreciate your continuing concern over the threat posed by this insidious drug and thank you for holding this hearing.

Methamphetamine production, trafficking and abuse continue to be an enormous problem that affects not only this country, but the wider international community as well. The overall market for amphetamine-type stimulants (ATS), including methamphetamine, has witnessed uneven development – stabilizing in some areas while escalating in others. Production remains concentrated in North America and South East Asia, while, according to the UN Office on Drugs and Crime's (UNODC) 2007 World Drug Report, over 104 countries and territories reported seizures of ATS in 2005. The UN also estimates that 15-16 million people consume methamphetamine on a global scale. While methamphetamine abuse in the United States has been trending downwards since the passage of the Combat Methamphetamine Epidemic Act (CMEA), worldwide consumption is growing. This trend is in stark contrast to international consumption rates of organic-based drugs such as cocaine and opiates, which have stabilized. Methamphetamine and similar synthetic drugs offer enormous profit margins, are relatively easy and inexpensive to produce, and can be manufactured virtually anywhere. Combating their spread requires broad, sustained international commitment, and U.S. leadership is essential in this regard.

It is with these facts in mind that the U.S. Department of State is working with other U.S. government agencies, including the Office of National Drug Control Policy (ONDCP) and the Drug Enforcement Administration (DEA), as well as the international community, to tackle this unique challenge to our global drug control policy.

In order to address international methamphetamine production and trafficking, the Department of State continues to play a major role in executing the Administration's Synthetic Drug Control Strategy. We focus on two key areas: (1) securing greater international control and transparency in the production, sale, and transportation of methamphetamine's precursor chemicals and the pharmaceutical preparations containing them; and (2) significantly expanding our support and cooperation with the Government of Mexico on precursor control and other methamphetamine specific initiatives.

International Precursor Chemical Control

Ephedrine and pseudoephedrine are integral chemical components for legitimate pharmaceutical respiratory medicines. These same chemicals are also integral components in the production of one of the most prevalent and abused synthetic drugs – methamphetamine. Our challenge, therefore, is to ensure that legitimate pharmaceutical manufacturers obtain the chemicals they need, while stopping the traffickers from diverting these chemicals into illegitimate international commerce.

The United States is a leader in this international effort, but the diffuse nature of the threat requires international cooperation and commitment if we are to be effective. To increase our impact, the United States works closely with the multilateral institutions that have long underpinned international drug control, principally the United Nations and its affiliated International Narcotics Control Board (INCB). The United States has no stronger ally than the INCB when it comes to rallying international efforts to combat the production and spread of illegal drugs, including methamphetamine. This is a multilateral institution that supports U.S. national objectives in combating synthetic drugs, and we have enjoyed considerable success in recent years in related international arenas.

In March 2006, a U.S. sponsored resolution entitled *Strengthening Systems for Control of Precursor Chemicals Used in the Manufacture of Synthetic Drugs* was adopted by consensus at the 49th UN Commission on Narcotic Drugs (CND).¹ This resolution served to complement the most comprehensive agreement on international chemical control – the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It provided a way to institutionalize the process for collecting information on synthetic drug precursor chemicals. Specifically, the resolution requests that countries provide the INCB with annual estimates of their legitimate requirements for methamphetamine precursors pseudoephedrine, ephedrine, and phenyl-2-propanone (P2P); the ecstasy precursor

PMK; and, the pharmaceutical preparations containing these substances. The resolution also requests countries to permit the INCB to share such information with concerned law enforcement and regulatory agencies.

As a result, the INCB reports that over 100 countries and territories are cooperating and providing voluntary reporting on their licit requirements for the aforementioned chemicals. The INCB has published the data collected in its annual report on precursor chemicals and updates the information regularly on its website. The data serves as a baseline for authorities in importing and exporting countries, facilitating quick “reality checks” on the chemicals and the quantities proposed in commercial transactions. Such checks enable authorities to determine whether importation is warranted – or, if no legitimate commercial use is apparent, whether pending shipments require additional law enforcement scrutiny.

The CND resolution also provides enhanced support for the sharing of information within law enforcement channels. Under the banner of the INCB’s Project Prism Task Force, national law enforcement authorities—including those from the United States, namely DEA,—have participated in operational initiatives that have deepened cooperation and capabilities, especially in regions susceptible to chemical diversion. Over the past year, we have seen the Project Prism Task Force increase its effectiveness and the INCB become better able to identify and prevent the diversion of controlled chemicals. Currently, 127 countries have identified points of contact, known as central national authorities, to coordinate activities launched under Project Prism.

To promote the full implementation of the CND resolution and support ongoing INCB activities, including Project Prism, the Department of State contributed \$700,000 in Fiscal Year 2006 funds and an additional \$700,000 in Fiscal Year 2007 funds, which more than doubles the previous contributions made during any prior fiscal year.

Most recently, the Project Prism Task Force undertook a voluntary operation, focusing on the trade of ephedrine, pseudoephedrine, ephedra and pharmaceutical preparations containing those chemicals. The Task Force invited countries in the Americas, Africa, and West Asia to participate in what became known as Operation Crystal Flow. This Operation began in January 2007 and lasted for six months, and it sought to fill intelligence gaps on diversion points for licit shipments of precursor chemicals being diverted to illicit channels. During the Operation, 35 suspicious transactions were identified and investigated. These shipments were either suspended, stopped, released after further verifications,

seized, or referred for further enforcement action. The total quantity stopped, suspended, or seized amounted to more than 53 tons of chemicals.

In addition, using the INCB's online system, Project Prism collects information on pre-export notifications to monitor shipments of the precursor chemicals used to produce methamphetamine and other synthetic drugs. As of July 2007, approximately 8,000 notifications had been sent, allowing countries to verify the legitimacy of these shipments.

We will continue to encourage other countries to actively provide information to the INCB and to support its expanding role. We will also urge the international community to include this subject for discussion in upcoming international fora, including the 51st CND in March 2008 and its subsequent review of progress achieved in combating ATS since the 1998 UN General Assembly Special Session on Drugs (UNGASS). The UNGASS review will be another opportunity to champion international cooperation to prevent the diversion of precursor chemicals. The Department of State, DEA, and ONDCP are working to identify ways to promote the broader exchange of information and expertise pertinent to the control of methamphetamine and other synthetics.

In addition, a major forum to advance methamphetamine controls in this hemisphere is the Inter-American Drug Abuse Control Commission (CICAD), which receives considerable U.S. funding to counter illegal methamphetamine trafficking and abuse. Guided at the policy level by the CICAD Commissioners, the Chemical and Pharmaceutical Unit of CICAD carries out a variety of initiatives in this important field supported by its Experts Groups on Chemicals and Pharmaceuticals, which usually meet once a year.

For instance, a recent initiative by the CICAD Commissioners was their adoption in 2006 of a hemispheric guide entitled *Drugs in Cyberspace: Understanding and Investigating Diversion and Distribution of Controlled Substances via the Internet*. The development of this guide was spearheaded by the United States and an expert group, and CICAD is now conducting training for law enforcement experts to advance their investigative techniques to combat drug trafficking via the internet.

CICAD's expert groups have also written some helpful guides and manuals for use throughout the Hemisphere including, for example, model regulations (with periodic updates) on the control of precursor and essential chemicals, a paper on the elements for a national system to control pharmaceutical products, and two recent documents: *Best Practices Guidelines for Investigation of Pharmaceutical*

Products and Best Practices Guidelines for Investigation of Chemical Substances. Preparation of such guides is the result of CICAD's recognition that controlling methamphetamine and other synthetic drugs is directly tied to successful chemical and pharmaceutical controls. Similarly, especially during the past couple of years, various specialized training courses have been conducted by CICAD to help enhance the implementation of chemical and pharmaceutical controls.

Through this and other means, CICAD works in practical ways to help nations within the Western Hemisphere upgrade their laws and regulations (and their implementation) with respect to precursor chemicals and pharmaceutical products. CICAD's Multilateral Evaluation Mechanism (MEM) enables participating countries to consider the status of drug control in each others' countries. Via this process, countries have shared information on concrete actions tied to combating methamphetamine trafficking and abuse. Virtually every country has made relevant advances since the launch of the MEM some 10 years ago, but progress has been particularly noteworthy in Argentina, The Bahamas, Canada, Ecuador, Grenada, Guatemala, Mexico, Panama, Paraguay and Peru. Advances have included passing or updating legislation or developing and implementing relevant guidelines for institutions and officials charged with the control of chemical and pharmaceutical products.

Cooperation with Mexico

Methamphetamine is a growing challenge for both the United States and Mexico, as the consumption of the drug is increasing in Mexico and cartel-driven violence is harming communities on both sides of our common border. Methamphetamine use has expanded dramatically in border cities primarily because increasing numbers of clandestine laboratories in the area make vast quantities of the drug available for the local market at a relatively low cost. According to local press reports, as many as 80 percent of drug addicts in Tijuana and Mexicali are using methamphetamine. In addition to large, well organized polydrug organizations, thousands of independent methamphetamine producers and traffickers operate throughout Mexico.

Methamphetamine production has steadily migrated into Mexico since the United States and Canada have imposed stricter regulations on precursors and enhanced law enforcement efforts against methamphetamine production. Today, Mexico is the principal foreign supplier of methamphetamine to the United States. Drug trafficking organizations, and independent producers, also control super labs – laboratories producing 10 pounds or more of methamphetamine within a single

production cycle – located primarily in Mexico and California. In addition to smuggling the finished methamphetamine product into the United States, major Mexican criminal organizations control most mid-level and retail methamphetamine distribution in long-established markets, such as the Pacific, Southwest, and West Central regions, and are expanding their distribution into the Great Lakes, Northeast and Southeast regions of the United States.

Mexico is aware of the methamphetamine threat and is making progress in limiting imports of the essential chemicals used to produce methamphetamine. Between 2002 and 2004, Mexico recognized that these imports far exceeded legitimate demand, so the government enacted a series of regulations and policies to restrict imports and better regulate the sale of precursor chemicals. For instance, between 2004 and 2005, the Mexican government banned pseudoephedrine imports of over three tons and restricted the importation of pseudoephedrine to only registered drug manufacturers. In order to further prevent the illegal diversion of these chemicals, Mexico restricted the sale of pills containing pseudoephedrine to only licensed pharmacies, restricted the amount that can be purchased by an individual, and required all imported shipments of pseudoephedrine to be funneled only through four ports and be transported in police-escorted armored vehicles equipped with GPS tracking systems. The Mexican government is also improving commercial tracking systems of precursor chemicals, and is enhancing its ability to detect possible front companies and counter illicit financial transactions related to methamphetamine trafficking. However, the threat of illegal smuggling of precursor chemicals and pharmaceutical preparations from third countries into Mexico will continue to be a challenge.

The State Department's Bureau for International Narcotics and Law Enforcement works closely with the Government of Mexico on a wide range of counter drug, law enforcement, and border security initiatives, and provides assistance and training that specifically targets methamphetamine production and trafficking. Working with the DEA, we assisted in the establishment of Mexican Clandestine Laboratory Response Teams to target organizations involved in the operation of clandestine methamphetamine labs, and have provided four training courses in 2007 to over 250 law enforcement personnel, including one course specifically concerning Clandestine Methamphetamine Labs. To date, the Government of Mexico has trained over 2,100 law enforcement and public safety officers in methamphetamine enforcement techniques.

Furthermore, newly vetted law enforcement personnel trained in methamphetamine investigations have been assigned to five major methamphetamine production

areas in Mexico. We are also supporting the new Federal Police Corps and its Special Investigative Units (SIUs) with specialized equipment, vehicles and computers. The Department is also providing equipment and maintenance support for previously donated CLANLAB vehicles specially designed to take down methamphetamine laboratories, such as safety/toxin suits and emergency chemical trauma kits. So far this year, 16 methamphetamine labs have been seized, including one super lab.

In a clear indication of increased bilateral law enforcement cooperation, U.S. law enforcement officials recently arrested Zhenli Ye Gon, a Chinese-born Mexico City businessman. In March of this year, Mexican officials found and seized more than \$200 million in U.S. currency, as well as various foreign currencies hidden in his mansion in Mexico City. This is the largest single seizure of drug cash in history. Mr. Ye Gon has been indicted in Washington on federal charges of conspiring to manufacture methamphetamine destined for the United States. In addition, Mexican prosecutors have charged Mr. Ye Gon with drug trafficking, money laundering, and weapons possession for his alleged role in illegally importing 19 tons of precursor chemicals and have requested his extradition.

The Department is also focused on providing Non-Intrusive Inspection Equipment (NIIE), state-of-the-art systems that scan cargo containers and passenger luggage, to the Mexican Government to interdict contraband, including precursor chemicals. As part of our overall counternarcotics programs, we also plan to promote education and public awareness concerning the rising threat of methamphetamines in Mexico and the environmental impact of its production.

Along with these methamphetamine-specific initiatives, the Department will continue programs with Mexico that directly confront other drug trafficking, including: targeting international crime along our common border; enhancing Mexican law enforcement's ability to disrupt the international drug trade; and continuing cooperation and coordination between the law enforcement agencies of our two countries.

In addition to our cooperation with Mexico, we continue to work with Canada in countering the threat of methamphetamine production and trafficking. While Canada remains a producer and transit country for precursor chemicals and over-the-counter pharmaceuticals used to produce synthetic drugs, the Government of Canada has made a serious effort to curb the diversion of precursor chemicals that are required for methamphetamine production to feed domestic and U.S. illegal markets, and has worked productively with the United States in joint law

enforcement operations that disrupted drug and currency smuggling operations along both sides of the border. There is some evidence that Canada's production of methamphetamine is increasing – a situation which will require careful monitoring on both sides of the border. However, we will continue to work closely with our Canadian partners to identify and dismantle methamphetamine laboratories, and to prevent further illicit diversion of precursor chemicals.

East and South East Asia

While most of the Department of State's efforts to curb methamphetamine production, trafficking, and abuse concentrate on international precursor chemical control and cooperation with Mexico, we also have smaller programs in Asia, where methamphetamine production and consumption remains a significant problem. Methamphetamine is by far the most commonly abused drug in Thailand. Japan has an estimated 600,000 addicts and between one and three million "casual" users nationwide. UNODC's 2007 World Drug Report calls Japan "the most lucrative methamphetamine market in East and South East Asia." And in the Philippines, statistics from rehabilitation centers show that 84 percent of patients list methamphetamine as their drug of choice. Burmese groups produce hundreds of millions of methamphetamine pills which flood into Thailand and turn up across South East Asia. Recently, a large methamphetamine lab was discovered and successfully destroyed in Cambodia. The ease with which methamphetamine can be produced, and the relatively cheap street price that enables traffickers to sell it for large profits, makes the drug very attractive to Asian organized crime and its abuse is growing in many Asian countries including China and India. In China, which already has a substantial abuser population in its cities, methamphetamine in the powder and pill form is increasingly being replaced by the crystal form of the drug, known as "ice."

While the United States is not the destination market for most of these narcotics, it could be someday. Also, this Asian consumption can lead to severe social disruptions with geopolitical consequences affecting the United States, and provide illegal revenue streams that could potentially be exploited by international terrorists or regional insurgencies. To help stem production, trafficking, and abuse in East and South East Asia, the Department of State has supported bilateral and multilateral efforts. We have provided funding to the ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD) program to combat drug production, trafficking, and abuse, with a particular focus on ATS, as well as to UNODC's project to promote regional cooperation for precursor chemical control. In FY 2007, the Department also provided a contribution

through UNODC to assist with the clean-up efforts of the aforementioned methamphetamine lab in Cambodia.

Our efforts have helped local enforcement officials to improve their investigative skills and encouraged cooperation across borders, a prerequisite for success in controlling this intrinsically international business. We have also provided funding in association with Joint Interagency Task Force-West (JIATF-West) programs to Indonesia and the Philippines for DEA law enforcement training, including: basic drug investigations, chemical control, and clandestine laboratory identification training. Finally, the Department of State has provided support for demand reduction and treatment programs in Laos, Thailand, Vietnam, Cambodia, and elsewhere in Southeast Asia. These relatively low-cost programs help to encourage international cooperation with these countries while pursuing our common anti-drug and broader geopolitical objectives with the countries of the region. In addition, they also undercut illegal drug producers that could eventually turn their sights on U.S. markets.

Implementing the International Provisions of the Combat Methamphetamine Epidemic Act

I would like to turn now to an area where Congress has taken the lead in rallying additional attention to this scourge, namely the Combat Methamphetamine Epidemic Act (CMEA). In addition to its domestic impact, the CMEA has been an effective tool for focusing international attention to the methamphetamine problem and galvanizing international efforts to fight it. The Department of State's Bureau for International Narcotics and Law Enforcement Affairs has taken steps to implement the international provisions of the CMEA, completing the first reporting and certification cycle. In accordance with the CMEA, on March 1, 2007, our annual International Narcotics Control Strategy Report (INCSR) included a new section reporting on the top five exporters of methamphetamine's precursor chemicals, as well as the top five importers of these chemicals.

For the first CMEA certification, we relied heavily on import and export data found in a widely used trade data bank to make the Certification determination. For next year's report, we intend to use the newly available INCB data to refine our report. The INCB data on legitimate domestic requirements will help us to focus on countries which import more than their reported licit domestic requirements, as provided to the INCB. The largest exporters will continue to be identified by the most recent trade data, as reported by the trade data base.

In addition, we are complying with the CMEA by continuing our bilateral partnership with Mexico and will be reporting on our cooperation on chemical control and law enforcement activities with its government. The Department will continue to work with experts from ONDCP, DEA, the Department of Justice, the intelligence community and other relevant partners to refine its methodology for evaluating countries in accordance with the CMEA.

Conclusion

I would like to close by thanking Congress for its leadership on this important issue. The CMEA has provided the Administration with new tools to combat the threat of methamphetamine and effectively raised the urgency both domestically and internationally. I look forward to continued collaboration with Congress, the U.S. Government interagency community and our international partners. Thank you for the opportunity to testify today. I welcome your questions.

¹ The UN Commission on Narcotic Drugs is the central policy-making body within the United Nations system dealing with drug-related matters.