



The Flow of Precursor Chemicals for Synthetic Drug Production in Mexico

Policy Recommendations



**InSight
Crime**

insightcrime.org

IBERO
CIUDAD DE MÉXICO

Indicencia /
Seguridad Ciudadana /

The Flow of Precursor Chemicals for Synthetic Drug Production in Mexico

Policy Recommendations

May 2024

InSight Crime

Steven Dudley
Victoria Dittmar
Annie Pforzheimer
Sara García
Parker Asmann
Peter Appleby
Jaime López
Jorge Lara
Elisa Roldán
Ana Isabel Rico
Juan José Restrepo
María Isabel Gaviria

Program for Citizen Security – Universidad Iberoamericana

Ernesto López Portillo
Karime Aguilera
Ana Guzmán
Paola Salazar
Sam Storr

These recommendations are based on a two-year investigation into the supply chain of synthetic drugs, and consultations with over 30 experts on drug policy, security policy, private sector compliance, anti-corruption and anti-money laundering efforts, foreign policy, and the chemical industry

Introduction

The world of illegal drugs has changed. The evidence of this is stark: tens of thousands of overdose deaths per year in North America due to synthetic opioids and the skyrocketing use of synthetic stimulants the world over. Yet, government reactions around the world seem to have been ineffective, in particular as it relates to what is behind this scourge: the precursor chemical ingredients that make drugs like fentanyl and methamphetamine available in record quantities.

The battle is not easy. It requires a tectonic shift in thinking. Unlike plant-based drugs, the chemicals come mostly from legally-established companies that are part of a multibillion-dollar global industry. No harvests and little transport – the drugs can be produced in clandestine laboratories year-round, using relatively small amounts of strictly-controlled precursor chemicals and other, less regulated chemical substances with various legal uses.

It is in this context that InSight Crime and the Program for Citizen Security at Universidad Iberoamericana have developed a set of policy recommendations, mostly directed at the incoming governments of Mexico and the United States, but applicable to governments and private sector actors worldwide. These recommendations stem from a two-year investigation into the supply chain of synthetic drugs, as well as intense consultations with over 30 experts on drug policy, security policy, private sector compliance, anti-corruption and anti-money laundering efforts, foreign policy, and the chemical industry.

The recommendations hinge on understanding the extreme limitations of supply-side measures when it comes to synthetic drugs, and reallocating vital, often scarce resources towards suppressing demand. They also rely on governments and multilateral organizations building on existing trade and law enforcement agreements to strengthen regulatory and legal measures to curb chemical supplies and crack down on financial beneficiaries throughout the supply chain.

Implementing these recommendations requires greater coordination within governments to create unified regulatory and legal standards regarding chemical production and trade based on risk levels and use patterns. These policy options will only work if governments provide positive and negative incentives for private industry – both chemical and financial institutions – to enforce a set of industry-wide rules and regulations.

1. Focus more resources on demand

The challenges posed by synthetic drugs — the high mutability of the ingredients, the size of the global supply chain, and smaller physical amounts of the product that can be moved in a variety of more unobtrusive ways — indicate that a singular focus on suppressing their supply is inherently flawed. Instead, there needs to be a shift in resources towards demand and harm reduction efforts that develop a deeper understanding of the problem and long-term strategies to mitigate their effects.

Recommendation #1: Gain grassroots-level understanding of the domestic consumption markets. Specifically:

- Allocate funding to health authorities and independent watchdogs to conduct comprehensive quantitative and qualitative studies on synthetic drug users to understand their characteristics, needs, and consumption patterns.
- Support local non-governmental organizations (NGOs) in data collection, especially regarding drug sample analysis and expanding measures to allow for wastewater analysis. Examples of organizations in Latin America already engaged in such activities include Prevensa A.C. and Verter A.C. in Mexico, and Acción Técnica Social in Colombia.
- Fund research on mitigating drug use and abuse, including hard and soft measures that have produced the most promising results for those most at-risk.

Recommendation #2: Develop a long-standing campaign modeled after anti-tobacco efforts to educate the public about the dangers of synthetic drugs and their impacts. Specifically:

- Prevention campaigns that adopt non-stigmatizing language, promote healthy practices, focus on managing harms, and avoid messages that criminalize or further marginalize drug users.
- Regular audits of treatment clinics to ensure compliance with international standards of professional care.
- Curriculums and educational materials that teach children the risks of synthetic drugs at an early age.

Recommendation #3: Implement a harm reduction approach following the [2021-2025 OAS Plan of Action and Global Strategy](#) and the 2024 [resolution](#) of the United Nations Commission on Narcotic Drugs (CND). Specifically:

- Study the implementation of harm reduction efforts by non-governmental organizations in the United States and Canada. These include supervised consumption sites, needle-exchange programs, drug testing services, methadone treatments, and naloxone administration. Support current trials conducted by NGOs in opioid-consumption hotspots, such as Tijuana and Mexicali in Mexico.
- Ensure widespread availability of naloxone in high-risk areas, and support non-government programs to educate and train users and the community in emergency response.
- Distribute spectrometers, rapid tests, and over-the-counter testing technology among treatment centers, non-governmental organizations, emergency rooms, and forensic services.
- Expand and strengthen treatment clinics, ensuring geographical distribution and staffing by trained personnel for comprehensive treatments according to specific needs. Treatment programs should ensure protection of the physical and mental health of users.

2. Develop a unified North American approach

The governments of Canada, Mexico, and the United States should build on decades of collective trade and legal agreements and trilateralize efforts to undermine the synthetic drug trade. This includes expanding their Trilateral Fentanyl Commission to include all manners of synthetic drugs and prioritizing the issue of precursor chemicals and chemical diversion on their international agendas, particularly with China, India, and European countries.

Recommendation #1: Establish a comprehensive baseline understanding of the size and dimensions of the synthetic drug problem in North America. This should involve a standardized method of gathering data on distribution routes, entry points, flows, purity levels, production rates, and consumption patterns. Grassroots-level understanding of overdoses and patterns of use should complement government-collected statistics. Specifically:

- Diversify sources of information, incorporating independent academic and NGO data collection to mitigate the political implications of the issue.
- Ensure that data provided by governments and other entities are user-friendly, transparently sourced, and shareable, facilitating continuous analysis of emerging trends.
- Study trade flows to track transnational networks potentially diverting chemical substances for illicit drug production.

Recommendation #2: Build on the existing trilateral US-Mexico-Canada architecture to enhance precursor law enforcement cooperation agreements to provide greater coherence and impact. Specifically:

- Secure a unified North American commitment to voluntary notifications under the 1988 Treaty for precursors with no known dual use, through the [Limited International Special Surveillance List](#).
- Scrub all existing law enforcement agreements to see if they can be amended to include all three countries.
- Push for bolder, region-wide legal measures resembling the [Uyghur Forced Labor Act](#) (which establishes a “rebuttable presumption” that anything produced in that region is done with forced labor) in which the importer would be required to attest to the need for chemicals with no known dual use, or the elevated need for such chemicals when compared to previous years’ importation or use.

Recommendation #3: Leverage trilateral relations to increase regional accountability, as well as enforcement of regulatory and legal standards on chemical supply chains around the globe. Specifically:

- In the context of the Trilateral Fentanyl Commission, expand its purview to include all matters of synthetic drugs and require the foreign ministries of all three countries to prioritize precursor chemical control and investigating the potential diversion of chemical substances in their relations with China, India, and European countries.
- Use trade-based measures – such as those facilitating the production and sale of avocado and other agricultural products – to incentivize more enforcement of existing laws and regulations.
- Provide port authorities with targeted capacity-building, including forensic training; the establishment of testing labs as close as possible to port operations; and the enhancement of internal affairs capabilities given additional threats of corruption.
- With assistance from the United Nations and the International Narcotics Control Board (INCB), using tools such as [PEN Online](#), incorporate “early warning” approaches in all three countries, educating authorities on trends and using public health, lab testing, and international expertise to understand and get ahead of drug trends.

3. Streamline regulatory efforts

Transition to a single, integrated regulatory model of chemical substances in each country. This model should regulate chemicals and provide access permits based on a risk analysis of each substance and its potential buyers, ensuring consistent laws, cross-sector collaboration, robust monitoring systems, and effective enforcement. It should be based on international standards, as set, in part, by regional multilateral institutions, such as the Organization of American States (OAS).

Recommendation #1: Create a single government authority to serve as the point of contact for the different industries that handle chemical substances. This authority could take the form of a commission composed of representatives from all relevant government agencies involved in chemical control. The commission should have a non-military mandate and ensure inter-agency cooperation. Specifically:

- Model the commission on existing government working groups that already coordinate regulations of certain chemical substances. These include Mexico's Technical Group for the Control of Synthetic Drugs (Grupo Técnico de Control de Drogas Sintéticas – CTCDS) and its Interministerial Commission for the Control of the Process and Use of Pesticides, Fertilizers, and Toxic Substances (Comisión Intersecretarial para el Control del Proceso y Uso de Plaguicidas, Fertilizantes y Sustancias Tóxicas – Cicoplafest) or the Interagency Testing Committee operating under the Toxic Substances Control Act in the United States.
- Ensure the private sector conducts regular risk-based assessments of chemical substances, considering factors such as toxicity, potential environmental harm, and potential uses for illicit activities, including drugs and weapons manufacturing. The proposed, unified commission would manage the submission and analysis of import and commercialization permits, expediting them based on these assessments and the risk profiles of each potential buyer.
- Broaden the current definition of which companies need regular monitoring and auditing based on their risk levels and use patterns. This would include all companies handling dual-use chemicals, such as furniture, textile, and automotive producers, requiring them to justify their intended use of the substances.

Recommendation #2: Utilize the OAS/CICAD Group of Experts on Chemical Substances and Pharmaceutical Products for its technical expertise and solid nonpartisan reputation to advance messages of concern and proven solutions with the private sector and governments in the region. Specifically:

- Request that the group of experts focus on North America's vulnerabilities and conduct a high-level intervention with the private sector (chambers of commerce) in all three countries to strengthen industry understanding and acceptance of voluntary reporting requirements and government regulations.
- Work with the private sector to engage in data-informed risk mapping of their own working structures and supply chains to more effectively reduce illegal chemical importation and diversion. Leverage this industry expertise to identify the most vulnerable aspects of the chemical trade, particularly suspect shipping companies or inadequate inventory control.

4. Establish positive and negative incentive programs for private side compliance

Understanding the limitations of suppressing the supply of synthetic drugs and precursor chemicals, the government should create robust incentive programs for private sector actors to more forcefully regulate their own supply chains and their financial flows. Additionally, the government should establish enforcement protocols that put the onus on chemical companies to report exports and imports of high-risk chemicals, as defined by the Integrated Regulated Model mentioned above.

Recommendation #1: Analyze and draft self-regulatory measures through public-private partnerships (PPPs). Specifically:

- Draft workable self-reporting requirements based on updated risk analysis, training importers on new synthetic drug production methods, and supporting investigations of large smuggling rings or corrupt shipping companies and officials.
- Train companies on how to detect and combat diversion of legally imported chemicals, including inventory control and reporting requirements.
- Work with existing self-regulation efforts, such as Mexico’s National Chemical Industry Association’s (Asociación Nacional de la Industria Química – ANIQ) model of [Integrated Corporate Responsibility](#), which requires “know your customer” (KYC) compliance for companies seeking to join the trade association.
- Tighten information and data privacy loopholes, addressing concerns from those in the private sector about sharing client information with the government. One model could be looking at the standards used in the Egmont Group¹ which coordinates information-sharing among financial intelligence units worldwide.

Recommendation #2: Implement positive incentive programs to foster PPPs. Specifically:

¹ The Egmont Group requires all its members to have robust regulatory systems that ensure the security and confidentiality of shared information and data. They must also guarantee limited access to that information and only share it through internationally approved channels. See more [here](#).

- Establish a “white list” of companies that comply and are transparent in their procedures, supply chain, ownership structure, and final beneficiaries (such as the Extractive Industry Transparency Initiative’s [“Open Extractives”](#) model).
- Offer tax incentives to increase the viability of a voluntary code of practice, self-regulating measures, and regular exchange of industry best practices.
- Establish trade preferences for companies that share more information and implement regulatory practices. These can be modeled after faster importation services, such as the Container Security Initiative or Global Entry.
- Provide publicity to those partnering with government efforts to fight synthetic drugs through public campaign efforts.
- Introduce business integrity labeling, awards, and other recognition for private-side participants in these programs.

Recommendation #3: Stiffen enforcement of the existing legal regime criminalizing illegal procurement of precursors and pre-precursors and those facilitating the financial proceeds of synthetic drug sales. Specifically:

- Increase the frequency and severity of penalties on financial institutions that are known to be working with chemical providers that have been prosecuted or sanctioned, or are laundering proceeds from synthetic drug trafficking and sales.
- Apply tax regulations more vigorously via a combination of red flags raised by voluntary submissions, randomized checking, and fines.
- Design programs and digital reporting platforms to protect whistleblowers from the private industry who indicate lax reporting within their companies, and whistleblowers in the public sector reporting corruption within their agencies.
- Initiate prosecutions of emblematic, high-profile conspiracy cases that link fentanyl poisoning to financial gains by chemical companies.
- Expand the definition of “ultimate beneficial owners” to include all final beneficiaries from precursor chemical and synthetic drug sales as a means of ensuring more widespread accountability.