Policing the Supply Chains of Synthetic Drugs

Richard W. Coughlin, Florida Gulf Coast University
2024 Southwest Florida Model United Nations

1. *Synthetic Drugs*

Over the last year, there has been a cascade of proposals and calls for the United States to brand Mexican drug trafficking "cartels" as terrorist organizations, a designation that would enable the U.S. to use military means to attack the "cartels" (Pompeo 2022, Cucinelli 2022, Barr 2023). The war is typically framed as a war of defense against "cartels" that are inflicting harm on American citizens who have become addicted to opioids or synthetic opioids, like fentanyl. The term "cartel" does a lot of work in these formulations. It refers to the idea that drug trafficking groups in Mexico and elsewhere are centralized, hierarchically structured, and autonomous organizations. As this discussion will suggest, this is not the case (see Cabrera Correa 2023). The cartels exist, of course, but they are embedded within larger and more complex criminal networks, particularly with respect to the provisioning of chemical substances - precursors, pre-precursors, and the other essential chemicals - from which synthetic drugs such as amphetamines (colloquially, meth) and fentanyl are confected. From this point of view, as El Parece (associated with narco. news) notes, "Cartels" are complex adaptive networks of chemical vendors, shipping companies, customs officials, politicos, bankers, businessmen, police, gangs, workers, families, kids, etc." As this definition makes clear, the borders of "cartels" are fuzzy. Attacking only part of the ensemble of actors included within the designation of a cartel typically results not in their destruction, but their reconstitution. This is why the war on drugs ends up being a war without end.

As you're probably aware, overdose deaths from synthetic drugs have become a major issue in the U.S. - hence the calls to bomb the cartels. According to a recent report from the U.S. Center for Disease Control, overdose deaths in the United States doubled between 2015 and 2021 while fentanyl-related overdose deaths tripled. In 2021, 70,000 Americans died of Fentanyl overdoses. In 2022, the United States experienced a record high of 110,000 overdose deaths, most of these fentanyl-related. As U.S. News and World Report suggests, methamphetamine overdose deaths in the United States have been on the rise too - dramatically so. In 1999, there were 608 methamphetamine overdose deaths in the United States. But by 2022, that number had risen to a staggering 55,000 (a fifty-fold increase). 61% of fatal meth overdoses involved the use of fentanyl and heroin, suggesting how patterns of drug abuse are interrelated.

These are not just numbers, but people with grieving families and friends. They are victims and victims have had, over the past 50 years, a special standing in American politics. They have become the constituencies to whom the state promises punitive responses directed towards a dangerous, criminal underclass (Simon 2009). Victims have been mobilized as a political bloc because their protection requires vigorous responses from the coercive right arm of the state. All of this is the context for fighting a new war in Mexico, with or without the cooperation of the Mexican state.

There is indeed public support for militarizing the war on drugs as a way of responding to the overdose deaths of U.S. citizens on synthetic opioids. An NPR-Ipsos poll conducted in August 2022 found that 39% of all Americans and 60% of all Republicans believe that

undocumented migrants are bringing fentanyl into the United States and are responsible for increased American drug overdose deaths. These views are incorrect. As a recent NPR story documents, 90% of all seized fentanyl that enters the United States is seized at U.S. ports of entry and almost everyone caught smuggling fentanyl by the Customs and Border Patrol were American nationals hired by drug trafficking groups. Of course, the points where synthetic drugs are entering the United States are very much downstream from the sources of these substances. This background paper shifts the focus of attention upstream toward the provision of the chemical substances that are necessary for the production of synthetic drugs.

2. *Synthetic Drugs are Different*

Much of this background paper is based on a recent investigation (Dudley 2023) conducted by the non-governmental organization InSight Crime that examines the production of synthetic drugs in Mexico. This is an entirely new form of drug production compared with plant-based production. The latter had a rural base - poppy, coca leaf, or marijuana cultivation - whereas synthetic drug production depends on access to chemical substances that have already been produced - fentanyl or meth in its final form - or the precursors, pre-precursors, and other chemicals (bonding agents, catalysts, reagents, etc) needed to manufacture synthetic drugs. The supply chains for producing synthetics are completely different and effective drug policy needs to focus on controlling them through multilateral diplomatic efforts as well as regional (at the level of North America) and national (at the level of Mexico) policies.

This background guide summarizes this report (Dudley 2023), beginning with the major findings. First, there is a general skepticism in the document about the feasibility of supply-side policies for the controlling production of synthetic drugs. The chemical substances that need to be regulated are widely produced. Many have multiple uses and can be readily diverted toward the illicit international drug trade. The regulatory systems differ for different substances across different national jurisdictions, as does the willingness of governments to regulate their respective chemical industries. Ultimately, the proposed solutions suggested by this report focus on the development of more effective forms of regulatory harmonization, anchored in existing UN treaties. Here is a statement of the problem from Insight Crime:

> "The 1961 UN convention created lists of narcotic drugs and psychotropic substances, Scheule l and Schedule ll. More were added in the 1971 UN convention. And in its 1988 convention, the UN established a list of "controlled substances" that could be considered precursors and essential chemical substances in the production of these drugs. However, each member country established its own regulatory and legal frameworks, which sometimes complement and sometimes ignore the UN conventions and the UN lists of controlled substances" (13) [Note that all parenthetical citations indicating page numbers in this background report are about Dudley, 2023].

The implication of the foregoing is that a new multilateral framework does not have to be created from scratch. The framework already exists, but it must be extended, strengthened, and fine-tuned.

The report reaches different conclusions concerning methamphetamines and fentanyl. About the former, drug traffickers in Mexico have already developed

autonomous production capabilities. Indeed, "there are at least 100 ways to produce methamphetamines" (15). While methamphetamine precursors are well-regulated, pre-precursors are not. Trafficking groups now can synthesize precursors from pre-precursors (15). Indeed, most seizures of a key methamphetamine precursor, P2P, are from clandestine laboratories rather than ports of entry, suggesting that most of this substance in Mexico is synthesized domestically (29). One indicator of increased production capacity is the steeply declining price of methamphetamines, dropping from a wholesale price of $17,000 per kilogram in 2016 to $3,500 in 2022 (25). This is where some of the supply-side skepticism comes into play. Governments should indeed try to track precursor and precursor substances, but they should also focus on the demand side of the equation since autonomous production capacity in Mexico for methamphetamines is now a fact.

On the other hand, the ability of the drug trafficking groups to produce fentanyl is still not well developed. Trafficking groups are following a similar trajectory toward production autonomy. The challenge is to exert greater control over the circulation of precursors and pre-precursors before drug trafficking groups become more advanced. For example, one method of producing fentanyl is the so-called Gupta method where the Mexican producers are now capable of making ANPP - a key fentanyl precursor - from pre-precursors. (20). An additional difficulty of fentanyl lies, in part, with the fact that fentanyl is a highly powerful substance. It requires a far lower volume of precursors or pre-precursors to fabricate and therefore poses starker challenges in terms of controlling the movements of these substances. Insight Crime, for example, compares fentanyl consumption in the U.S. with cocaine consumption: 3.75 to 5 tons of fentanyl is consumed in the U.S. as compared with 100 tons of cocaine. Here is another relevant comparison: Dudley (2023) estimates that Mexican criminal groups produce between 291.16 and 434.4 tons of methamphetamines and between 3.5 and 4.5 tons of pure fentanyl - a considerable difference (27). A little fentanyl goes a long way: fentanyl-laced pills typically have less than 5% purity and consist of 95% adulterants and additives. All of the fentanyl a user might consume in a given year could be contained in a single 4-gram packet of sugar (26). It follows from this that a small number of production facilities could easily satisfy the needs of traffickers (90).

Moreover, confection sites could be anywhere. This suggests that efforts to militarily attack drug labs - via drones - face daunting challenges. These labs do not require sophisticated machinery nor do they emit telltale scents or sounds. Accordingly, barriers to entry for the production of fentanyl are lower and the production process - given the availability of precursors and pre-precursors - is relatively simple so that cooks following recipes - rather than trained chemists - are capable of producing fentanyl. Thus, the labor requirements for producing the drug are not high. Organizationally, production units tend to be subcontracted by the larger drug organizations rather than being subsumed within them, which testifies, once again, to the horizontal rather than vertical organizational structure of drug trafficking organizations (or "cartels") (91), see also Cabrea-Correa (2023).

3. *Synthetic Drug Supply Chains*

It is also the case, as InSight Crime (Dudley 2023) suggests, that criminal organizations like the Sinaloa Cartel or the Cartel Jalisco de Nueva Generacion, are just one part of the supply chain: "In general, they do not get heavily involved in the precursor trade until these substances have been sourced to Mexico and are ready to distribute amongst

producers" (10). Indeed, as Dudley continues, "Production of synthetic drugs is outsourced to various semi-autonomous cells, which sometimes operate independently, creating the vibrant, flexible, and resilient market" (10). The implication here is that the synthetic drug networks have a different and more dispersed geography and are, accordingly, more networked and less vertical - in the sense of being under the control of some hierarchical organization - i.e., "a cartel." This means that policy proposals that advocate military action against cartels (by labeling them as terrorist organizations) are unlikely to be effective as a means of interdicting the supply of synthetic drugs. Of course, interdiction efforts targeted at plant-based drug production systems have not been successful as well. For a discussion of the failures of previous iterations of the war on drugs, see the multiple reports produced by the Global Commission on Drug Policy - an organization that has attracted the participation of numerous former Latin American heads of state. More of the same - militarized interdiction - promises to miss a key part of the problem: not the cartels but the movement of precursor and pre-precursor substances, particularly concerning fentanyl.

These include not only precursor and pre-precursor substances but also other chemicals that are necessary for the production of fentanyl, such as acetone. The amount of acetone needed to produce current levels of fentanyl would be quite high - almost a quarter of all legal imports to Mexico. This suggests that it should be possible to take account of acetone imports which are diverted toward fentanyl production and curtail these flows (30). This is the promise of the recommendations that Insight Crime outlines at the end of this investigation. But even concerning the precursors and pre-precursors, Mexico is underperforming, accounting for just 10% of ANNP (a fentanyl precursor) seizures worldwide in 2022. The market value of these precursors is considerable. The value NNP (a fentanyl precursor) is $462 million - based on the estimated total production of fentanyl in Mexico (33). This is a big market, which could be curtailed through effective policy interventions.

But the challenge here is not only in Mexico but spread around the world. As InSight Crime notes:

> “In our research…we found that the chemical production phase remains a vast well of potential producers, mainly based in China but increasingly from India; that many other essential chemicals needed come from US and European-based companies, as well as Mexican companies, that independent “chemists” work for one or numerous criminal organizations; that - notwithstanding the dominance of two organizations in the drug transportation sector - the number of criminal groups producing synthetic drugs seems to be increasing, not decreasing” (36).

Where do all these substances come from? They come from the private sector, although in different ways - direct production of substances or precursors for sale on the web and diversion of chemical substances from large chemical corporations engaged in high-volume international trade, for whom such diversions are quite small in comparison to the scale of their operations.

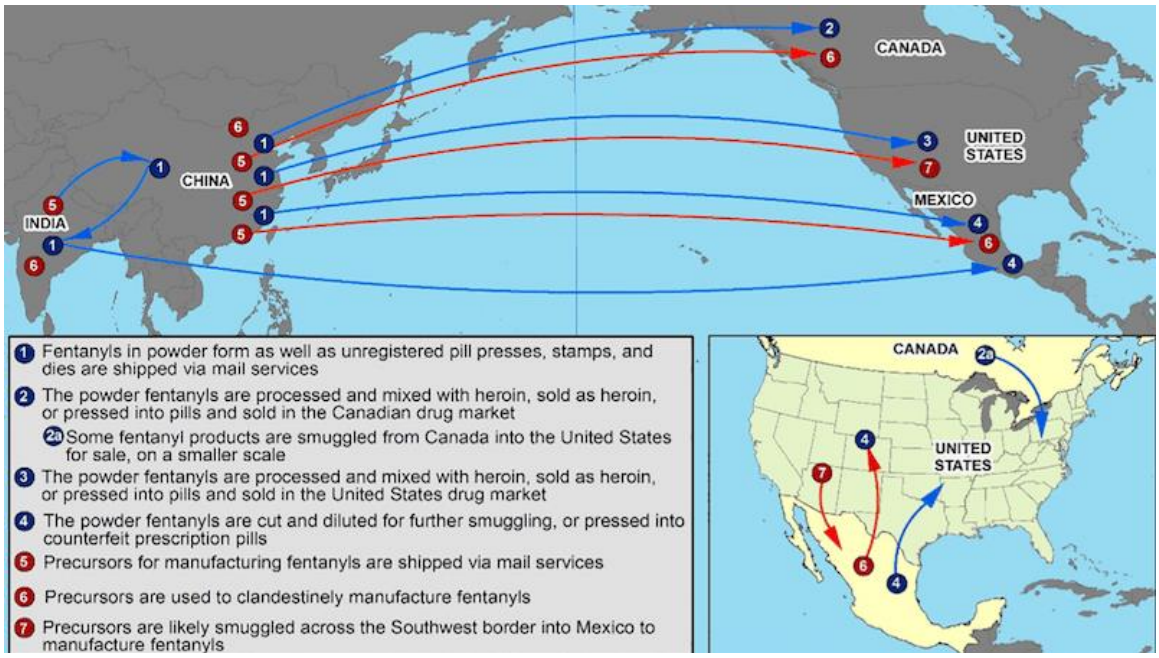

Figure 1. Flows of Fentanyl Precursors from China and India to the United States. Graphic developed by U.S. Drug Enforcement Agency and published online by the Eurasian Institute.

InSight Crime credits China with some degree of success in cutting the production of precursors. Evidence of this can be seen in the sharp drop in airborne seizures of fentanyl arriving in the United States (40) as well as international mail seizures of fentanyl. Other authors such as Vanda Felab-Brown of the Brookings Insitute, suggest that China has relaxed its policing of scheduled chemical substances in response to anti-China U.S. policies (like restrictions on the sales of advanced semiconductor computer chips by the Biden administration). The suggestion here is that China cooperates with the U.S. on drugs or climate change as a reward for favorable U.S. economic and security policies - not because it is concerned about these issues. "The Chinese have long seen cooperation with the U.S. not as a good in itself but as a source of leverage, and today, China's need for leverage is substantial and growing," said Evan Medeiros, a Georgetown University professor who was a senior Asia director on the National Security Council in the Obama administration, to the New York Times.

A recent report from the National Public Radio suggests that China's ban on fentanyl and various fentanyl precursors has been effective, according to the U.S. Drug Enforcement Agency (Feng 2021) https://www.npr.org/2020/11/17/916890880/we-are-shipping-to-the-u-s-china-s-fentanyl-sellers-find-new-routes-to-drug-user . The difficulty is that Chinese producers have responded to the ban by shifting to the production of other fentanyl precursors, many of which "are so new that they have not yet been banned, are harder to detect and regulate, and…can be used in basic chemical processes to produce illegal drugs" (Feng 2021).

In China, some companies produce fentanyl precursors and, in the wake of the Chinese ban in 2019, have shifted to selling these substances in gray markets while other firms continue to produce scheduled chemicals (42). In China, gray market producers abound in provincial regions where they are celebrated by local party officials because they generate taxes and employment for their regions (44). Gray market transactions are characterized by the use of encrypted communications and cyber-currency transactions,

which do not go through the international banking system. Shipments of the precursors which are tightly regulated in China occur through standard mail, express courier services, or in clandestinely packaged containers - difficult to detect because the volumes of precursors required for current production levels are relatively low (46). In her report for National Public Radio, Feng notes that

> Chinese vendors are often camouflaged by a complex network of corporate entities registered in far-flung cities along China's interior, where they use sophisticated shipping methods to bypass screening measures and where law enforcement scrutiny is often laxer than in bigger cities such as Beijing or Shanghai. Thousands of doses can be shipped together in small, hidden packages.
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> "Many Chinese networks involved in the production and advertising of fentanyl quickly adapted to increased legal constraints by modifying their techniques to exploit loopholes in chemical restrictions and disguise their activities," said Michael Lohmuller, a C4ADS analyst and report co-author.

Dudley (2023) characterizes gray market transactions in terms of clandestine commerce, hidden within a much great volume of licit commerce - the proverbial needle in the haystack (56).

High-ranking Chinese officials are caught in a dilemma of not wanting to undermine provincial officials but also not wanting to have China labeled as a drug-pushing country. However, restrictions in China would, in any event, open the door to the import of the precursors through India's chemical industry, which is weakly regulated and where diversions to chemical substances to illegal markets are common. Billions of synthetic opioid tables and tons of precursors originating from India were seized across the world in 2021, according to the U.S. State Department (47-48). In Europe and the United States, the primary problem is diversion of the essential chemical substances as opposed to precursors and pre-precursors (50).

4. Fentanyl Production in Mexico

Fentanyl seizures have skyrocketed inside of Mexico (62), evidence that Mexico is, as Ann Milgram, administrator of DEA claims, "mass producing" fentanyl (61). Are they? Insight Crime considers both sides of the questions but they lean toward Milgram's assessment. The key narrative that InSight Crime articulates here is that Mexican drug trafficking groups are developing autonomous production capacities with fentanyl, just as they had with methamphetamines. Mexican criminal groups cannot yet produce fentanyl without the assistance of outside suppliers. Indeed, these are the points in the fentanyl supply chain that must be disrupted. Controlled substances are being diverted to Mexico, sometimes by Mexican firms (67), sometimes using shipments to other countries (like the U.S.) where the controlled substances are subsequently smuggled into Mexico, and sometimes using speed boats where the scheduled substances are removed cargo ships before they can reach the port (76). Additionally, chemicals are simply stolen from businesses. But this is the work of the intermediary criminal organizations rather than the name-brand cartels (78). The cartels "do not get directly involved in the chain of precursors and pre-precursor chemicals until these substances have been gathered in bulk in Mexico" (78), again suggesting a more delimited and

focused role of the cartels in narco-trafficking and also greater complexity of the networks through which narco-trafficking is organized.

Mexican criminal groups are also training more cooks and attempting to produce fentanyl through other chemical processes - more or less from scratch - all of which testify to the idea that Mexican criminal groups are attempting to wean themselves from dependence on outside courses of crucial chemical substances (69). But the capacities of many of these cooks are limited. Accidents and errors occur in the production of fentanyl and the confection of fentanyl-laced pills. Dealers and users cannot be certain about the actual concentration of fentanyl in the drugs that they sell and consume. These are confusions that lead to frequent overdose deaths (93).

Cofrepris, the bureaucratic agency that oversees the importation of medical devices and goods into Mexico is also, according to its current director, rife with corruption schemes that entail importing controlled substances for medical use. These permits operate on a pay-to-play basis (69). In an interview granted to the Washington Post, director Svarch (of Cofepris) noted that the agency had discovered a permit to import 40 tons of tartaric acid, used to increase the purity of methamphetamines. Svarch added: “Mexico had largely become the number one importer of chemical precursors in the world" (75). Svarch’s comments raise questions about Mexico’s regulatory capacities. These are summarized by the OAS’s Inter-American Drug Abuse Control Commission. They conclude that while Mexico has comprehensive national programs, it lacks "...established mechanisms for inter-institutional cooperation between public and private institutions to provide a comprehensive response to the illicit production of drugs” (110). In particular, there is reluctance on the part of customs authorities to report criminal activities to the FGR (Fiscalia General de la Republic - the equivalent of the U.S. Department of Justice) because these officials do not want to be involved in criminal proceedings. Logically, this would include the military since the military is now in charge of customs - and is, in its own right, complicit in various corruption networks. Another regulatory shortcoming highlighted in this section of the report is that Mexico is not engaged in talks with China or India about the development of strategies to control the flow of precursor chemicals (111).

5. *What is to be done?*

These points lead, finally, to discussions about recommendations. The first recommendation is that focusing all effort on the supply side is not going to be sufficient. Complete interdiction of synthetic drugs is not a feasible goal, but greater control is possible through strategies carried out at different levels of governance. At the international level, the International Narcotics Control Board, which oversees the implementation of the UN treaties related to narcotic drugs, has two key enforcement tools, PEN Online (PEN = pre-export notification program), and GRIDS (Global Rapid Interdiction of Dangerous Substances) - both of these are instruments of information sharing and control which operate through public/private partnerships. The general recommendation Insight Crime offices is to shift focus from China, the US, and Mexico's efforts to control the movement of scheduled and potentially dangerous substances to multilateral efforts emphasizing full compliance with PEN and a surge of support for GRIDS to strengthen its capacity to link analysis with coordinated police action.

Additional recommendations include:

- Train, through UNODC, Mexican authorities on the more responsible handling of precursor chemicals (114).
- Apply, using a CND (Commission on Narcotic Drugs) resolution, scheduling to all analogs of any controlled substance. Scheduling means controlling, bureaucratically, how particular substances can be used.
- Train the private sector on voluntary reporting requirements and government regulation.
- Use model legislation, through the OAS (Organization of American States) secretariat, to control to address the diversion of the chemicals to address, via the OAS, the fentanyl threat (115).
- In terms of bilateral and trilateral policy, get Mexico to prioritize precursor chemical control with India and China.
- Encourage the development of China's anti-narcotics global leadership (116).

The general theme that runs through these recommendations is the development additional state capacity to regulate flows of precursor chemicals through international cooperation and public/private partnerships. One key concept to reiterate in all of this is the significance of regulatory harmonization to prevent the diversion of chemicals to illicit uses - much of this is targeted toward the Mexican private sector.

In terms of public diplomacy, InSight Crime calls the labeling of fentanyl as a poison rather than as a narcotic, because it is so highly lethal (121). A similar rhetorical strategy is employed by various Republican officials who have advocated using military force against Mexican cartels because they are poisoning (i.e., killing) Americans. Finally, the report advocates elevating the issue of synthetic drugs so that it does not become politicized. There is a need to take bold, non-partisan actions, suggests the Report.

The author of this background guide wonders whether this is wise because the fentanyl deaths in the United States are indeed becoming politicized. To avoid political engagement with the topic cedes ground to the demagogues who are calling for militarized responses to the issue. Public diplomacy on this issue should offer a more explicit critique of military solutions to narco-trafficking while emphasizing the need for demand-side solutions - or, at the very least, harm mitigation strategies – which would accompany efforts to control the flow of the key chemicals used in the production of synthetic drugs.

6. Delegate Preparation

1. Delegates should review relevant UN treaties and organizations on this topic as well as the Inter-American institutions, such as the Organization of American States. These are some of the key policy spaces in which InSight Crime believes that the most effective interventions for synthetic drugs can be undertaken. For a gateway to relevant UN documents and organization, see here.
2. Delegates should review the policies of their own countries regarding the control of scheduled substances. This means not only prohibitions on the circulation of banned substances but also, quite critically, the prevention of legal substances being diverted to illicit uses.
3. Delegates should craft recommendations with respect to different kinds of synthetic drugs. They should note, in this regard, the distinctions that Dudley

develops between methamphetamines and fentanyl in terms of the capacity of drug trafficking organizations to produce each substance.
4. Delegates should consider the importance of developing more robust forms of policy coordination, information sharing, regulatory harmonization, and enforcement activity between the private sector (notably, the chemical industry) and governments and between governments.
5. Delegates should consider the problem discussed at the end of the InSight Crime report – how to avoid politicizing this issue, particularly about electoral politics. What does this mean? Why might it be important?
6. Delegates should consider what conditions might have to be met to get countries that supply key chemical substances for synthetic drugs to do more to exert control over these substances.

Suggested Readings

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