

2. ORGANIZED CRIME

Organized crime in the Caribbean is involved in a variety of activities, among which the most widespread is drug trafficking. In 2005, it is estimated that about 10 tons of cocaine transited through Jamaica, and 20 tons went through Haiti or the Dominican Republic. However, the flow of drugs through the region has decreased with the shift of trafficking to the Central American corridor. Cannabis production for export from Jamaica, the largest producer in the region, also appears to be in a slump. But demand from Europe may be increasing, and much of this traffic transits the Caribbean. Kidnapping and corruption also affect the region. Haiti and Trinidad and Tobago have seen recent and rapid increases in kidnappings. There appears to be wide variation in levels of corruption in the region. According to Transparency International's 2006 Corruption Perceptions Index, Haiti is perceived to be the country in the world with the highest levels of corruption, while Barbados was ranked among the least corrupt.

2.1 Violence in the Caribbean is aggravated by the presence of organized crime. There are no internationally comparable statistics on organized crime generally, but its activities can be detected in conventional crime statistics, as well as in seizures of contraband, particularly drugs. This information is supplemented by details emerging from criminal cases, as well as criminal intelligence, largely from developed countries.¹

DRUG TRAFFICKING

2.2 Despite their diversity, one thing all Caribbean countries have in common is that they have long been caught in the crossfire of international drug trafficking. The Caribbean suffers greatly from the supply from the south and the demand in the north. Drug flows through a country can aggravate crime in a range of ways:

- They produce local drug use problems, as couriers are often paid in product rather than cash and are compelled to sell on local markets. This has secondary effects on domestic crime problems, including youth gangs, prostitution, and market-related violent and property crime.
- Drug transactions involve firearms, and firearms are often traded for drugs.
- Movement of drugs inevitably involves corruption of local law enforcement officials, as well as other civil servants.
- Laundering the proceeds of drug sales undermines legitimate economic activity.

¹ Since the United States is the main source of drug demand affecting the Caribbean, U.S. information sources are used extensively in this chapter.

2.3 The good news is that the flow of drugs through the region may be decreasing:

- The transshipment of cocaine to the United States, the most significant flow in economic terms, has declined, as cocaine consumption in the United States dropped from its high levels in the 1980s (see National Institute on Drug Abuse, 2005).²
- Cannabis production for export from Jamaica, the largest cannabis producer in the region, appears to be in a slump (see Royal Canadian Mounted Police Criminal Intelligence Directorate, 2005).³ On the high end of the market, Jamaican cannabis faces competition from the growing popularity of indoor-produced sinsemilla in consumer countries in North America and Europe.⁴ Partly as a result, cannabis eradication rates dropped sharply after 1999, though they have recovered somewhat since then (see Figure 2.1).⁵
- The Caribbean has traditionally been the preferred drug transshipment corridor of Colombian organized crime groups, often working with wholesalers and retailers from the Dominican Republic. For a number of reasons (including effective law enforcement in the Caribbean, the break-up of the major Colombian cartels, and growing stability in Colombia), Mexican organized crime groups have supplanted the Colombian organizations throughout much of the United States. Mexican groups prefer to transship along the Central American coast and then across the U.S./Mexico border. They also prefer to market Mexican-produced cannabis on the low end of the market⁶ (see Figure 2.2 for the most commonly used transport corridors for the shipment of cocaine to the U.S.).

² While changes in the methodology of the national household surveys in the United States make long-term national comparisons problematic, cocaine use among U.S. high school 12th graders plummeted from 13.1 percent annual prevalence in 1985 to 5.1 percent in 2005.

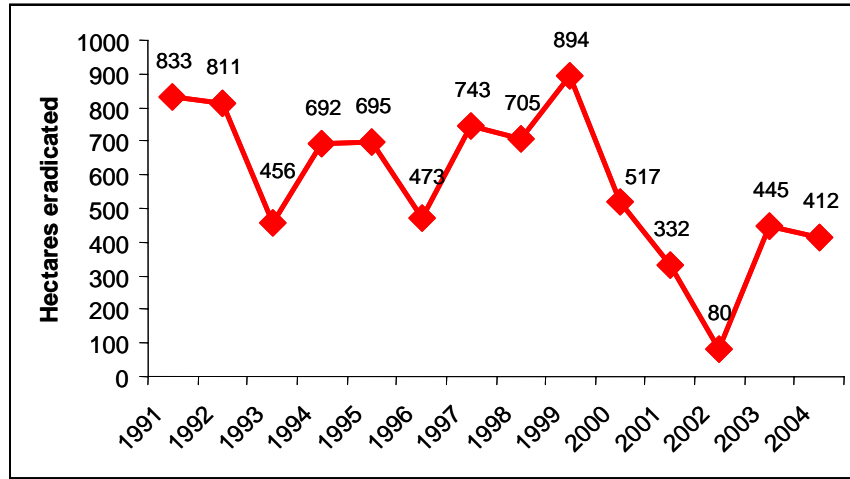
³ The one area where the Caribbean continues to dominate is hash oil, a product Central and Atlantic Canada have long imported from Jamaica. Jamaican traffickers in Ontario are responsible for smuggling hash oil directly from the Caribbean and also manufacturing it within Canada.

⁴ The share of sinsemilla in cannabis samples submitted to the Marijuana Potency Monitoring Project, which tests every seizure in which federal agents are involved, grew from 5 percent in 1985 to 31 percent in 2003. This sinsemilla averaged 14 percent THC in 2003, much higher than most field-grown cannabis.

⁵ See Annex 2.1 for a discussion of the Jamaican cannabis trade.

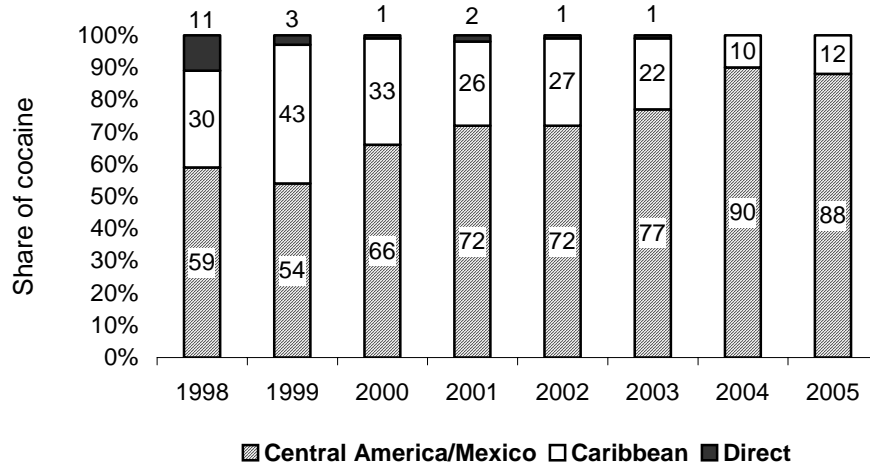
⁶ See Annex 2.2 for a discussion of patterns of drug transshipment by organized crime.

Figure 2.1: Cannabis Eradication in Jamaica



Source: International Narcotics Control Strategy Report, various years.

Figure 2.2: Shares of Cocaine Flowing to the United States by Transport Corridors



Source: U.S. National Drug Intelligence Center, various years.

2.4 There are, however, several contrary developments:

- While cocaine use in the United States has declined, it is increasing in Europe. For example, cocaine use rates in Spain and England today are close to United States rates (see World Drug Report, 2006).⁷ Europol reports that 40 percent of the cocaine entering Europe transits the Caribbean.⁸

⁷ In 2003, adult annual cocaine usage stood at 2.7 percent in Spain and 2.4 percent in England and Wales. In the USA, it stood at 2.8 percent in 2004.

⁸ Europol, statements made at the Horizontal Drug Group (HDG) of the European Union, 10 January 2006. See Annex 2.3 for a discussion of cocaine transshipment patterns.

- Canada also poses an alternative market, with a high level of cocaine use.⁹ In 2004, large (in excess of 100 g) seizures of cocaine were made entering into Canada from a number of countries in the Caribbean, including Jamaica, Trinidad and Tobago, the Netherlands Antilles, Guyana, St. Vincent and the Grenadines, Haiti, St. Lucia, Grenada, Barbados, Suriname, and Dominica.
- Since 1993, the United States has become increasingly dependent on Colombian heroin (see Figure 2.3). In terms of value per unit volume, heroin is worth more than cocaine, and thus it is still most commonly trafficked using couriers on commercial air flights. However, many large volume shipments have also been detected.
- Synthetic drugs seem to be increasingly transiting or originating in the Caribbean. For example, on 28 November 2005, 259,338 ecstasy tablets were found when three abandoned bags were seized at the airport in Puerto Playa, believed to have originated in the Netherlands and to be destined for the United States.¹⁰ In 2005, an LSD lab was discovered on the Dutch side of St. Maarten, (U.S. Department of State, 2006) a relatively rare find for law enforcement anywhere in the world due to the difficulty of synthesizing this drug.

2.5 Thus, despite recent shifts and as indicated above, large quantities of drugs continue to transit the Caribbean. There are many reasons to expect that the Caribbean will continue to be a key drug transshipment area:

- Colombia remains the source of most of the United States' cocaine and heroin, so the Caribbean will remain an attractive transshipment route.
- The Caribbean has language, historical, commercial, and legal ties to some of the major consumer countries, including the massive tourism industry. These ties include daily direct air flights and container traffic.
- The Caribbean diaspora, particularly nationals of Jamaica and the Dominican Republic, are key in domestic drug distribution in parts of North America and Europe.¹¹ Expatriates from Europe and the United States living in the Caribbean further enhance this network.¹²
- The torrent of remittances from expatriate populations, as well as a large financial services industry, provides cover for money laundering.

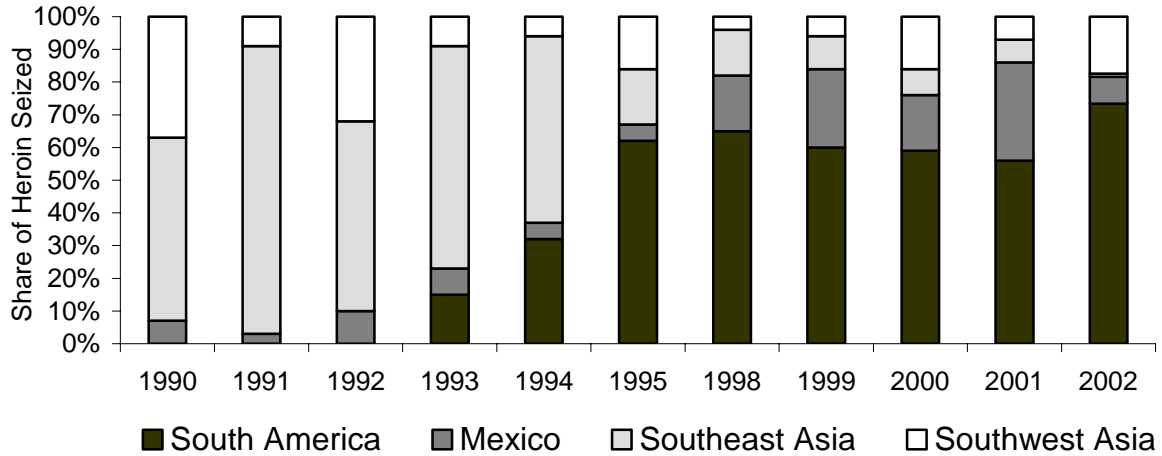
⁹ Annual use prevalence of 2.3 percent in 2004. See World Drug Report 2006 Volume 2 page 385.

¹⁰ Personal communication, Col. Radhames Antigua Sanchez, Director CICC, Direccion Nacional del Control de Drogas, 1 February 2006.

¹¹ See Annex 2.4 for a discussion of organized crime in Jamaica and the Dominican Republic.

¹² Some arrest data reported to the UNODC in response to the Annual Reports Questionnaire gives an interesting perspective into the role citizens of the former colonial powers play in drug trafficking in this region. In Jamaica in 2004, for example, there were nearly as many foreigners arrested for drug offenses (221) as Jamaicans (234). The single largest group were British (although some may have been British of Caribbean ancestry). There were 68 British citizens arrested for cocaine offenses, compared to 79 Jamaicans. Overall, there were more foreigners arrested for cocaine offenses (124) than Jamaicans (79). Similarly, in Suriname in 2004, 269 Surinamese were arrested for drug offenses, compared to 174 Dutch nationals.

Figure 2.3: Origin of Heroin Seized in the United States



Source: U.S. Drug Enforcement Administration Heroin Signature Program (National Drug Intelligence Center, 2002, 2003 and 2004; Drug Enforcement Administration, 1996)

2.6 It is not surprising, then, that of the 20 countries identified as major drug transit or major drug producing countries by the United States government in 2006, four are in the Caribbean: the Bahamas, the Dominican Republic, Haiti, and Jamaica.¹³ In commenting on this list, however, the United States government has noted the interdiction successes of the Bahamas and the Dominican Republic.¹⁴ In contrast, Haiti has received less praise for their cooperation with the United States, and has even faced being designated as a non-cooperating country.¹⁵

2.7 On the other side of Hispaniola, Dominican authorities estimate that, in 2004, most (67 percent) of the cocaine entering their country came by land, which means it came from Haiti. This is actually a substantial decrease from 2003, when the figure was 90 percent (UNODC, 2004). The Dominican Republic is seen as a “command, control, and communications” center for drug operations in the Caribbean. It is also used to store drugs, before onward shipment to Puerto Rico or the United States.¹⁶

¹³ United States Presidential Determination No 2006-24, September 18, 2006.

¹⁴ Statement of Acting Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, Ambassador Nancy Powell, Briefing on Ongoing Diplomatic Activities at the UN and Other Current U.S. Foreign Policy Issues, Foreign Press Center, New York City September 15, 2005.

¹⁵ The U.S. Drug Enforcement Agency has been involved in the arrest of many individuals linked to former-President Aristide’s Lavalas party, including former senators and senior police officials, such as the former chief of presidential palace security and former chief of the anti-drug police. The fact that Haiti does not seize as much cocaine as many of her neighbours is more reflective of law enforcement capacity than drug flows: the Haitian anti-drug police has only about 40 members. See International Crisis Group, “Spoiling security in Haiti.” Latin America/Caribbean Report No 13. Brussels: International Crisis Group, 2005.

¹⁶ Statement of Rogelio E. Guevara, Chief of Operations of the U.S. Drug Enforcement Administration, before the House of Representatives Committee on International Relations, 10 October 2002.

2.8 The U.S. list does not include Puerto Rico, a U.S. territory. Puerto Rico has the third busiest port in North America, and its commonwealth status with the United States means that any shipments leaving Puerto Rico are not subject to search in the United States. In 2001, the head of the United States Drug Enforcement Administration described Puerto Rico as “an excellent gateway for drugs destined for East Coast [U.S.] cities.”¹⁷ It has been the traditional transit area used by Dominican groups to bring cocaine into the United States.¹⁸

2.9 Cuba’s relatively low ranking in terms of seizures has been attributed to recent enforcement efforts. According to the Nicaraguan police, seaborne cocaine has abandoned the routes along the Cuban coast due to increased patrolling, and now hugs the coastline of Nicaragua and Honduras.¹⁹

2.10 But there are few islands that cannot claim annual seizures of over half a ton of cocaine at some point in the recent past (Table 2.1). In addition, substantial amounts of heroin have been seized in the Dominican Republic, Aruba, the Netherlands Antilles, Bermuda, Puerto Rico, and, most recently, Trinidad and Tobago.²⁰ The Dominican Republic in particular seems to be seeing an increasing flow of heroin, with seizures growing from seven kilos in 1998 to 122 in 2005. This is not surprising given the role Dominican expatriates have played in drug distribution in the United States.

¹⁷ Statement of R. Marshall, head of the U.S. Drug Enforcement Administration, before the Senate Caucus on International Narcotics Control, 15 May 2001. Marshall also noted that while “Mexican trafficking groups normally charge Colombian traffickers 50 percent of each shipment to transport their product through Mexico, ...Dominican and Puerto Rican groups offer the same service for as low as 20 percent.”

¹⁸ Statement of Micheal T. Horn, chief of International Operations, U.S. Drug Enforcement Administration, before Senate Foreign Relations Committee, Subcommittee on the Western Hemisphere, Peace Corps, Narcotics, and Terrorism, 16 July 1997.

¹⁹ Lt Col. Miguel Guilarte, head of the Nicaraguan anti-drugs unit of the border police, in LatinNews.com, “Cuba: Antinarotics drive becomes a ‘national security issue.’” Latin American Regional Report: Caribbean and Central America, March 2005.

²⁰ Fifteenth Meeting of the Heads of National Drug Law Enforcement Agencies, Latin America and the Caribbean, Santa Marta, Colombia, 18- 21 October 2005

Table 2.1: Highest Total Annual Cocaine Seizure, 1998-2004

Country/territory	Year	Highest annual seizure total (kilograms of cocaine) 1998-2004
Puerto Rico	1998	10344
Netherlands Antilles	2003	9025
Bahamas	2003	4361
Jamaica	2002	3725
Guadeloupe	1998	3222
Cuba	1999	2444
Dominican Republic	1998	2342
British Virgin Islands	2001	2159
Turks and Caicos	1998	2075
Cayman Islands	1999	1926
Haiti	1998	1272
Martinique	2003	1138
Anguilla	2001	926
Trinidad and Tobago	2001	821
Aruba	1998	794
Antigua and Barbuda	2001	767
Bermuda	2001	667

Source: UNODC Data database

2.11 One possible side effect of drug transshipment is the development of local use problems, as have started to manifest themselves with heroin and ecstasy in the Dominican Republic.²¹ This is particularly true if the drug is moved through a diffuse network of couriers (as is typical with heroin) rather than through a small number of large shipments orchestrated by a few central players. For the most part, drug use levels in the Caribbean are lower than in the destination markets, suggesting that high levels of organization have typified the market in the past. Today, however, in a number of countries, drugs are dealt on the street by loosely organized groups of young people.

OTHER FORMS OF ORGANIZED CRIME: KIDNAPPING, MONEY LAUNDERING, CORRUPTION

2.12 Other forms of organized crime affect the region as well. Three forms of important organized crime are kidnapping, money laundering and corruption.²²

²¹ Unfortunately, the survey data on drug use in the Dominican Republic are rather dated. In 2001, heroin users comprised about 4 percent of the treatment population in the country, the highest share in Latin America except Mexico, where the drug is produced (5 percent). Authorities estimate that half of the ecstasy trafficked through the country is for local use.

²² While there is some evidence that forms of human trafficking occur in the Caribbean, there is little data on the scale of this problem. There were only 56 convictions in the entire Western Hemisphere for human trafficking in 2004, up from 27 in 2003. Compare this to Europe and South Asia, both of which lodged over 1,200 convictions in 2004. See Office to Monitor and Combat Trafficking in Persons, 2005.

2.13 Official statistics on kidnapping are not reflective of the extent of a kidnapping problem in a country. There are several reasons for this. Definitions of kidnapping vary greatly, from the very specific offense of abducting a child for the purpose of extorting money out of parents to more generic laws proscribing moving people against their will. Most kidnapping laws do not distinguish between the unlawful removal of a person for non-financial motives (such as often occurs during a custody dispute over a child) and organized kidnapping for ransom. In some jurisdictions, kidnapping is often a supplemental charge brought in to strengthen a case that was really about something else, such as cases of abduction for the purposes of sexual assault. Perhaps most importantly, many kidnappings go unreported to the police, as this is often a demand made by the kidnappers as a condition for the safe return of the person. In fact, it is precisely in countries where kidnappings are common that reporting often declines, as professional negotiators enter the picture and supplant the role of official law enforcement.

2.14 Thus, it is more useful to look at trends within a country than to compare rates across countries. Using this metric, two countries in the Caribbean have seen rapid increases in their kidnapping rates in recent years. The kidnapping rate nearly doubled in Trinidad and Tobago between 1999 and 2005.²³ And in Haiti, the acceleration between September and December 2005 was meteoric: according to 2005 figures compiled by MINUSTAH, 56 individuals were kidnapped in September, 63 in October, 74 in November and 241 in December—almost all in urban areas (United Nations, 2006).

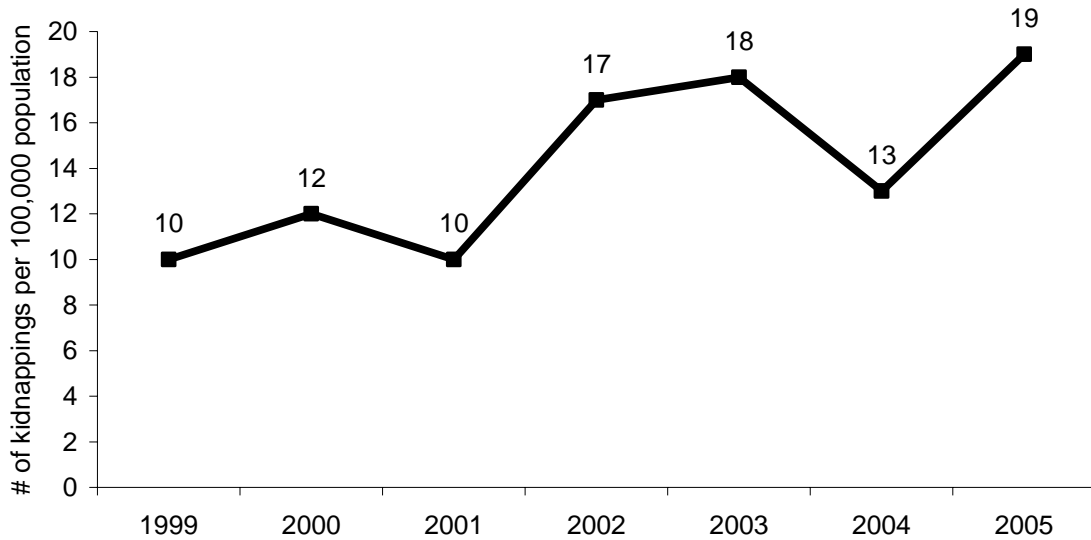
2.15 Kidnapping is a relatively new problem for Trinidad and Tobago, possibly fuelled by wealth disparities, ethnic divisions, and the proximity of the country to Colombia. While suspicion typically falls on the Muslim extremist group Jamaat-al-Muslimeen,²⁴ there is evidence that less organized criminals are tapping into this lucrative activity. The ransoms can be considerable: more than seven million U.S. dollars was paid out for the release of six members of the Greater Chaguanas Chamber of Industry after they were kidnapped in 2004 (Maharaj, 2004). The situation in Haiti may be even more dire, which is remarkable given that the crime really only emerged in the past two years.

2.16 Historically, the Caribbean has been susceptible to money laundering for a number of reasons. It has long focused on providing offshore financial services to the United States and European markets, but due to the small state capacity, did not have sufficient oversight resources. It is physically located along one of the world's premiere drug and cash thoroughfares. The tourism sector generates numerous cash-based businesses through which dirty money can flow undetected. The Dominican Republic provides an example of both of these techniques, as transport of bulk cash remains one of the primary means of transporting drug proceeds from the United States to

²³ These figures are based on information provided by the Central Statistical Office of Trinidad and Tobago.

²⁴ See Annex 2.5 for a description of Jamaat-al-Muslimeen's activities in Trinidad and Tobago.

Figure 2.4: Kidnappings per 100,000 Population in Trinidad and Tobago



Source: Elaborated from Central Statistical Office of Trinidad and Tobago

the country. Local casinos and currency exchange houses are also said to be a major channel.²⁵ Finally, the region is the recipient of a huge number of small cash remittances from the United States and Europe, constituting up to 30 percent of the GDPs of some Caribbean countries (ECLAC, 2005).²⁶

2.17 Considerable progress has been made in combating money laundering in recent years, in part due to measures to block terrorist financing. The Financial Action Task Force (FATF) on Money Laundering, a Caribbean inter-governmental body, has published a list of “non-cooperative” countries and territories since 2000. Four Caribbean countries and one territory (Bahamas, Cayman Islands, Dominica, St. Kitts and Nevis and St. Vincent and the Grenadines) were placed on this list in 2000, and Grenada was added in 2001. By 2003, actions in all these countries and in the Cayman Islands led them to be removed from the non-cooperative list.²⁷ The FATF has been a major factor in Caribbean countries improving their policies to combat money laundering (Sullivan, 2006).

2.18 The United States government also publishes a list of countries where money laundering is believed to be taking place. A number of Caribbean nations are currently listed as “jurisdictions of primary concern” for money laundering by the U.S. State Department: Antigua and Barbuda, the Bahamas, Belize, Cayman Islands, the Dominican

²⁵ Statement of Rogelio E. Guevara, Chief of Operations of the U.S. Drug Enforcement Administration, before the House of Representatives Committee on International Relations, 10 October 2002.

²⁶ It is estimated that Haiti’s remittances are around US\$1 billion, while its GDP is only about US\$3 billion. After the collapse of its coffee and offshore assembly sectors, Haiti’s top sources of foreign exchange are said to be remittances, foreign aid, and the drug trade.

²⁷ Bahamas and the Cayman Islands were removed in June 2001; St. Kitts and Nevis in June 2002; Dominica in October 2002; Grenada in February 2003; and St Vincent and the Grenadines in June 2003 (Sullivan, 2006).

Republic, Haiti, and St. Kitts and Nevis. It is important to note, however, that many major financial centers are also on the list, including the United States itself, the United Kingdom, Canada, France, Germany, Italy, and the Netherlands, as well as many other countries.

2.19 “Corruption” is a broad heading for a variety of activities related to the misuse of public office, including the extortion of bribes, procurement fraud and related kickback schemes, and the direct embezzlement of public funds. Not all of these activities are “organized” in the sense that large networks of individuals are concerned, but official corruption is extremely valuable to organized crime groups, and these groups play a strong role in promoting it, especially among law enforcement and border control officials. A case of corruption that had serious impacts on the economy of the Dominican Republic is described in Box 2.1.

2.20 The Caribbean may be vulnerable to corruption for a variety of reasons. In small states, the educated elite may be widely connected by blood, marriage, or social ties, and so it is difficult to distinguish nepotism from simple market necessity. Areas with a history of authoritarian government may also be susceptible, as the lack of transparency during these regimes can create a culture of corruption that endures even after the coming of democracy.

2.21 While there are serious methodological concerns about Transparency International’s Corruption Perceptions Index (CPI), it remains the standard for international corruption comparisons, and boasts one of the few datasets with near-global coverage. In the 2006 CPI, Haiti ranked as the country perceived as most corrupt in the world (163rd out of 163 countries). Ranking for some other Caribbean countries were as follows: Guyana (121), Dominican Republic (99), Suriname (90), Trinidad and Tobago (79), Grenada (66), Jamaica (61), Dominica (53), and Barbados (24).

2.22 While Jamaica scores near the worldwide average in cross-country surveys of corruption, bribery and lack of transparency in government contracts are considered by Jamaicans to be important problems. Jamaica ranks poorly in perceptions of favoritism shown by government officials towards well-connected firms and individuals when deciding on policies and contracts. This is closely linked with the pressure exerted on businesses by protection rackets, and reflected in the high perceived costs imposed on businesses by organized crime (World Bank, 2004).

2.23 The best quantified information on corruption in the region comes from the Dominican Republic, a country that is included in the various cross-national surveys of Spanish-speaking countries, as well as Transparency International’s Corruption Barometer; it was, in fact, the only Caribbean country to be included in the 2005 Corruption Barometer report. According to the Corruption Barometer 2005, some 16 percent of the Dominicans surveyed had paid a bribe in the previous year, the average amount being equivalent to US\$274 when adjusted for purchasing power parity. More than half complained that they had to pay a bribe in order to access a public service to which they were entitled and to avoid problems with authorities (Transparency International, 2005). The World Bank’s Investment Climate Survey showed that 72

percent of firms operating in the Dominican Republic reported “being affected” by corruption, and 21 percent of firms reported paying bribes in order to gain government contracts (World Bank, 2006a).

2.24 In the 2005 Latinobarómetro survey, 72 percent of Dominicans said that corruption had increased “a lot” in the previous three years, and 34 percent said they expected it to increase “a lot” in the next three years. Corruption among the police and political parties was emphasized. At the same time, 30 percent said that some progress had been made against corruption in the last year, but only 39 percent said that corruption would ever be solved (Latinobarómetro, 2005).

Box 2.1: Financial Fraud in the Dominican Republic – The Baninter Case

The Banco Intercontinental, S.A., better known as Baninter, began to experience liquidity problems late in 2002, due primarily to the alleged appropriation of funds by the bank’s owners, and to a lesser extent because of an increase in deposit withdrawals. The bank had maintained a parallel bank with off-book operations through a system called “Interbanco.” This off-book portfolio was of very low quality, consisting of related party lending and inadequate due diligence: some 82 percent of all outstanding loans did not meet the minimum required approval procedures, the necessary collateral, or appropriate documentation indicating a commitment or intention to repay obligations. Registered losses accumulated from 1989 to December 2002 in the Interbanco amounted to US\$1.2 billion, and by March 2003, Baninter’s overdraft amounted to US\$2.1 billion (Procuraduría General de la República Dominicana, 2006). In effect, this double accounting system hid overdrafts, representing not only a failure in banking supervision but also fraudulent practices by the bank’s managers.

The Central Bank provided substantial liquidity support during the 2002-2003 period, leading to a severe decapitalization that was remedied through issuing Central Bank debt at high interest rates. Subsequent audits of the use of these bail-out funds to Baninter revealed further instances of fraud, such as *increased* lending to related parties and high-ranking bank employees, continued misreporting of liabilities, and repayment of related party deposits and obligations including those in offshore affiliates, all in violation of the Monetary and Financial Law (e.g., banks receiving liquidity support are prohibited from issuing new debt).

The total direct cost of the bank bail-out to three failed commercial banks in 2003 amounted to 21 percent of GDP, and Baninter accounted for the lion’s share—approximately 15-16 percent of GDP. The social and economic costs went beyond the direct cost of the bailouts: a rapid depreciation of the peso (due to a loss of confidence) led to very high inflation and a serious erosion of real incomes. Approximately 1.5 million Dominicans (about 16 percent of the population) fell below the poverty line in the aftermath of the banking crisis, 670,000 of whom fell into extreme poverty (World Bank and IDB, 2006). Although Dominican GDP growth has rebounded since 2004, the government and Central Bank continue to struggle to service the resulting higher debt stock.

As of the end of December 2006, while the legal process continues, no one has been convicted of any crime related to the Baninter fraud.

