

ILLICIT DRUG MARKETS IN THE CARIBBEAN

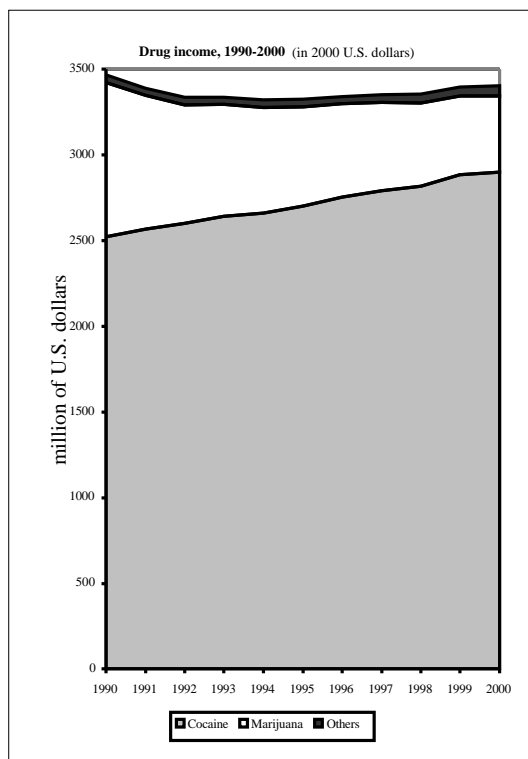
Market size

1. The illegal drugs market in the Caribbean generates an estimated income of 3.3 billion U.S. dollars. This represents 3.1 percent of the registered Gross Domestic Product in the region.

2. Given the significance of the hidden economy in many countries of the Caribbean, that accounts for between 20 to 65 percent of the total economy depending on the country and estimation methods, this share could be particularly lower for the overall economy – under 2.5 percent of the joint registered and unregistered Gross Domestic Product.

3. In the early 1990s, the size of the illegal drugs market was, in 2000 constant prices, 3,5 billion U.S. dollars. Although in current dollars the illegal drugs market has grown at an annual pace of 2 percent during the past decade, it has recorded an annual decrease of 0.2 percent in constant dollar value. This Caribbean decline, nevertheless, has not been uniform during the last decade; a reduction during the first part of the decade was followed by an expansion during the late 1990s consolidated through the recovery of cocaine transshipment.

4. Cocaine is the most profitable illicit drug in the Caribbean. It accounts for 85 percent of the drug market in the region. The amount of 3 billion U.S dollars cocaine generates in the region represents 2 percent of the global cocaine market. This share is consistent



with the notion that in global illicit drug markets most income is not generated in the production and transshipment countries but within the consuming developed countries.

5. Cocaine's share in the drug market of the region increased during the past decade from the 72 percent of the market in the early 1990s at marijuana's expense.

6. The marijuana market, which now only accounts for 13 percent of the Caribbean's illicit drug market in 2000 has been almost halved during the past decade. Heroin and amphetamine-type drugs each represent 1 percent of the regional drug market. No transformation of coca leaves into cocaine takes place in the Caribbean. Security agencies of the region have

shut down a dozen of laboratories engaged in transforming raw cocaine into crack cocaine during the past decade. Against this low-profile background in production and transformation, transportation of cocaine in the area is rampant – 435 MT of cocaine crossed the Caribbean Sea and the mainland Caribbean in 2000. This figure represents an increase of more than 100 metric tonnes in the cocaine flow through the region during the 1990s. According to the CCM, 435 MT is the total amount of cocaine transiting the Caribbean area, only 62 percent of that cocaine, or 270 MT, makes land fall somewhere in the region.

7. Marijuana is the only natural drug that is produced in the Caribbean. Total traffic of illegal derivatives of hemp in the Caribbean amounts to 375 MT. Locally cultivated marijuana totals 330 MT, which is grown in 485 hectares. Marijuana, therefore, covers 0.003 percent of the cultivated area in the region. Caribbean marijuana hardly represents 4.2 percent of the global production, an abrupt reduction from the region's share of 18 percent in the 1980s. In the year 1980 Jamaica and Belize alone had an estimated area cultivated with marijuana that was five times the present size – 2,650 hectares. Some sources indeed point to Jamaica as the top marijuana producer in the world between 1968 and 1981; in 2000, Jamaica did not make the top ten list. In 2000, Colombia produced 13 times more marijuana than the whole Caribbean region. Of the 330 metric tonnes of locally grown marijuana, hashish oil represents less than 15 metric tonnes. The rest of the marijuana flow in the region is attributable to the

imports of Colombian marijuana to the region for internal consumption or for transshipment outside the Caribbean.

8. Neither poppy cultivation nor heroin production takes place in the Caribbean. Nevertheless, some 700 kilos of heroin circulates through the region. The most comes from Colombia en route to the burgeoning U.S. market for heroin. The Caribbean is the transshipment area for 10 percent of the total estimated production of heroin out of Colombia, which is the source of 5.5 percent of the American heroin market. The U.S. is a minor market of opium derivatives in comparison to European or Asian markets. Heroin is the most profitable illegal drug in the region in relative terms – six times more profitable per kilo than cocaine and forty times more than marijuana. Nevertheless, it barely represents 50 million dollars after a constant, moderate rise during the 1990s as a result of the renewed taste of Americans for heroin.

9. Although information has surfaced about the existence of amphetamine-type drug production laboratories in Puerto Rico and Hispaniola Island, there is not concrete evidence regarding the manufacture of ecstasy tablets in the region. Apart from facing the rapidly growing local demand, now restricted to some islands, the ecstasy circuit of the Caribbean is driven by the supply of European production to the under-developed American market. Therefore, the region is used as a transshipment point for the importation of European ecstasy, primarily coming from the Netherlands and Spain, to the United States. However, the increased role of the Caribbean in this transatlantic trade is insignificant – less than 1 percent of

the American demand is met by ecstasy transiting the region. The Dutch-speaking Caribbean has taken a long lead in the positioning of the region as a transshipment route for ecstasy, which is partly a reflection of the powerful ecstasy industry in the Netherlands.

Illicit drugs and the foreign sector

10. Colombia is the origin of over 95 percent of the cocaine imports within the region. Nevertheless, only 58 percent of the cocaine that arrives annually in the Caribbean countries comes directly from Colombia. Venezuela is the source of an additional 29 percent of these cocaine imports; Central America and Panama, 8 percent; and Brazil, 5 percent. More than 90 percent of the cocaine that enters the Caribbean countries, or 240 metric tonnes, continues its passage in the direction of other consuming markets. Colombia and Central America are the main sources of cocaine for the Western and Central Caribbean. Venezuela and, to a lesser extent, Brazil are the origin of the cocaine flowing into the Eastern and mainland Caribbean (i.e. French Guyana, Guyana, Suriname).

11. The distribution of Caribbean cocaine exports has dramatically changed during the last decade. While two thirds of the cocaine that enters the Caribbean countries is consumed in the United States and Canada, which remain the major market for the region's cocaine exports, Europe has increased its share of transhipped cocaine from 10 percent in the early 1990s to 32 percent, or 80 metric tonnes, in 2000. If the amount of cocaine that flows through the Caribbean Sea without touching any shore is taken into account, some 165

metric tonnes of cocaine pass through the region en route to Europe. This represents two thirds of the European imports of cocaine. In the late 1990s, however, the growing participation of Brazil in the cocaine transatlantic flow has slightly eroded the dominant role that the Caribbean region has in the flow of cocaine between South America and Europe. While insignificantly reducing its participation in the cocaine trade to Europe, which has otherwise doubled during the last decade, the Caribbean has recovered its share of the transshipment market for cocaine en route to the United States. In 2000, the Caribbean corridor was the source of 47 percent of the cocaine entering the United States, leaving Mexico behind as the main source of cocaine for the American market. Back in the early 1990s, the Caribbean was the transshipment area for less than 30 percent of the cocaine going to the American market.

12. There are big differences in the cocaine export areas within the Caribbean. Generally speaking, the Western and Central Caribbean are inclined to service the American market and the Eastern and mainland Caribbean are more prone to direct their cocaine exports to Europe. Puerto Rico, Haiti, the Dominican Republic and the Bahamas re-export more than 90 percent of the in-transit cocaine to the United States. The final destination of 80 percent of the Jamaican and Belize cocaine is also the United States. Quite the opposite, the cocaine trade of the mainland Caribbean is directed towards Europe, that is the destination of 80 percent of the exports. Over half of the cocaine that transits the Eastern Caribbean ends up in Europe.

13. The Caribbean exports 100 metric tonnes of marijuana for extra-regional markets. Of these, 80 percent is Jamaican marijuana and 15 percent is Colombian hemp that is introduced in the region for re-export to North America. While large quantities of Jamaican marijuana dominate the participation of Caribbean marijuana in the world market. The exports have plummeted since the 1980s, when Jamaica and Belize were portrayed as the second and the fourth largest exporters of marijuana, respectively, to the United States, then and now the single most important market in the world.

14. The flow of other illegal drugs is quantitatively marginal. The most of the 700 kilograms of heroin that transit the region are imported from Colombia, where opium poppy is grown and transformed into heroin. Less than 5 percent of that amount is South Asian heroin that arrives from Europe. 95 percent of the heroin is re-exported to the United States for consumption. The remaining 5 percent corresponds to Colombian heroin that travels towards the European Union. In the case of ecstasy, the transatlantic flow goes westwards, from Europe to the United States using the Caribbean to hinder detection of the drug. The ecstasy trade is segmented along linguistic lines. In one case, ecstasy travels from the Netherlands, considered the major single producer of the drug, to the Dutch Caribbean and then to the United States. A parallel, although more limited, trade line goes from producing areas in Spain to the Dominican Republic or Puerto Rico en route to the continental United States.

15. The participation of local illegal transshipment firms in the drug business is marginal. They are merely commissioned for transporting illegal drugs from one place to another and for storing them. The organisation of the illegal trade within the Caribbean is largely done through subsidiaries of large, external groups with limited local connections. The exceptions to this model are the powerful Jamaican groups, usually with political leverage, that had been able to operate in retailing and distribution in the large consuming, developed drug markets (US, Canada, UK). But the participation of these organisations in other markets is largely marginal, under 5 per cent. On the other hand, individuals of Dominican and Puerto Rican descent play an important role in drug retailing/distribution in the East Coast of the United States and, to a much lesser extent, in Europe, their connections to organisations engaged in drug trafficking in their respective homeland are limited. The traditional inability of the Caribbean drug groups to vertically integrate every step of the drug business, specially in its most lucrative part – retailing/distribution in developed countries – imposes a serious obstacle in the creation of a globally oriented, Caribbean-based illicit trafficking organization in the short to medium-term

Product and national markets

16. Cocaine is the most profitable product among the illicit drugs in every country in the Caribbean region, but the distribution among the different sorts of drugs is not the same. In Jamaica, the local importance of marijuana reaches 37 percent of the local market for illegal drugs, that is, three times the average of

the region. The Eastern Caribbean and Belize also have drug markets in which marijuana plays a role that is greater than the Caribbean average. On the other extreme, on both sides of the border on Hispaniola Island, marijuana accounts for less than 5 percent of the illicit drug market.

17. Import-export services, with its related operations, such as intermediation, transportation, protection and financing, are the largest income generators among the several parts of the illegal drug business. Import-export services account for two thirds of the income drugs leave behind in the Caribbean – 70 percent for cocaine and barely 50 percent for marijuana. On the other hand, production and transformation of marijuana and crack cocaine barely represent 2 percent. Intra-national retailing and wholesale drug distribution accounts for only 10 percent of the drugs business in the Caribbean, or 350 million U.S. dollars. Of that figure, 55 percent corresponds to marijuana, 40 percent to coca derivatives and 3 percent to heroin and amphetamine-type drugs. Of the total income, tourists in the Caribbean, account for 8 percent of the total retailing distribution market. The average Caribbean citizen spends 11 U.S. dollars in illicit drugs, an amount that is much lower than the 300 U.S. dollars spent by the average American adult or the 200 U.S. dollars spent by the ordinary British citizen. In comparison, a Caribbean adult spends 30 percent more in marijuana than the American average adult, but just ten percent of the amount the American spends on cocaine.

18. By territories, the illicit drug market is relatively larger at the northern periphery of the region than in the central area. The fact that the last hurdle to the biggest consuming markets is the most lucrative region implies that the margins of the Caribbean are more profitable than intra-Caribbean distribution of drugs. For example, the drug trade in the Bahamas accounts for 9.5 percent of the registered economy, or 370 million U.S. dollars. Meanwhile, in the mainland Caribbean (Central and South America), trade in illicit drugs is 6.5 percent of the Gross Domestic Product – in absolute terms, 45 million U.S. dollars for Belize and 130 million for South American (mainland) Caribbean. At the lower end, for Cuba, Puerto Rico and the Eastern Caribbean, the drugs trade represents less than 1.5 percent of the registered economy. The only exception to this general pattern is Jamaica, where the cocaine flows of the late 1990s and marijuana production makes drug money account for 7.6% of the registered economy.

19. In absolute terms, however, the countries of the central area of the Caribbean are those that have the largest drug markets. In the Dominican Republic, the drug trade generates 850 million U.S. dollars, or 5.3 percent of the Gross Domestic Product. Puerto Rico has a drug market that exceeds 650 million U.S. dollars, or 1.4 percent of the local economy, while in Jamaica, the drugs trade produces an income of 560 million U.S. dollars. Including Trinidad and Tobago and the Virgin Islands, the Eastern Caribbean represents a drugs market with a money flow of 360 million U.S. dollars. In comparative terms, the U.S. consumers spent 65.7 billion U.S. dollars in illegal

drugs in 2000, a figure that accounts for 0.7 percent of the local Gross Domestic Product, and in the United Kingdom the drug trade generated an income of 10 billion U.S. dollars, that is also a 0.7 percent of the local economy.

20. Per capita income produced by the drug trade varies from country to country. For example, in the Bahamas, illegal drugs generate an average of over 1,000 U.S. dollars per capita. In Aruba and the Netherlands Antilles, drugs contribute 500 U.S. dollars per inhabitant, an amount that is almost double the drug per capita income in of the Virgin Islands. Well over the average of the Caribbean's per capita income generated by the drug trade are Jamaica, Belize and Puerto Rico, with 160 to 200 U.S. dollars of annual income per capita. The Caribbean average corresponds to the Dominican Republic, the countries in the Eastern Caribbean and the South American (mainland) Caribbean. On the opposite end of the spectrum, the drug trade yields a per capita income of 8 U.S. dollars in Cuba and 18 U.S. dollars in Haiti.

21. Quantitatively speaking, the jurisdiction that has the largest cocaine market is Puerto Rico, which has an annual flow of 80 metric tonnes of cocaine. This figure indicates a moderate decrease in the cocaine flow entering the island since the mid 1990s when 8-9 metric tonnes flowed per month. The Dominican Republic, Jamaica and the Eastern Caribbean, including Trinidad and Tobago and the Virgin Islands, show an annual cocaine flow of 60 metric tonnes. These three regions have registered an increase in their participation in the cocaine market

during the late 1990s. Although this growth was bigger in Jamaica, the public exposure of the close relationship between cocaine traffickers and some security figures in 2000, with some large hauls in the Jamaica-Bahamas corridor, has meant a displacement in market concentration in the Caribbean. The Bahamas, whose cocaine market is closely associated to Jamaica, presents the fifth largest corridor of cocaine in the Caribbean, with an annual traffic of over 40 MT. This figure is more than double the Bahamas' local flow of cocaine in the early 1990s, but lower than the volume of traffic that took place during the cocaine golden years in the 1970s and 1980s. Haiti, the South American (mainland) Caribbean states and Belize are medium-size markets with 20-25 MT of cocaine imports each. Cuba and the Netherlands Antilles, meanwhile, record the lowest levels of circulation of cocaine, with 15 MT. The highest amount of per capita cocaine flow occurs in the Bahamas and the Virgin Islands, with over 100 grams of per capita annual transit. Belize, with 90 grams of cocaine per inhabitant, and the Netherlands Antilles, 60 grams, also record high levels of cocaine transit. All those countries share the common feature of largely uncontrolled coasts. The Dominican Republic, Haiti and Cuba, on the other hand, have a per capita cocaine flow under 20 grams.

22. The busiest route for cocaine trafficking in the Caribbean since the late 1990s goes through the Western Caribbean from Colombia to the United States via Jamaica and the Bahamas. Under the control of the Jamaican trafficking organizations and the supervision of Colombian kingpins, almost 35 MT of cocaine travels

annually through this route. The following two cocaine routes converge in Puerto Rico – some 27 MT go directly from South America to the U.S. associated state, while 30 MT reach Puerto Rico via the Dominican Republic. The Dominican Republic is also busy as a transshipment point for cocaine going from South America straight to the United States – 18 MT. A similar amount of cocaine travels from the Eastern Caribbean to Puerto Rico en route to the continental United States.

23. The cocaine routes toward Europe are shaped by spheres of influence, colonial and linguistic ties. For Spanish-speaking countries, Spain is the destination of most cocaine exports to Europe, either for natives or for foreigners residing in the increasingly popular Mediterranean coast. Haiti and the French departments mainly direct their cocaine exports to France. Cocaine in transit through the Dutch territories and Suriname mainly reaches Europe via the Netherlands. The United Kingdom is the major destination for cocaine transiting the Anglo-Caribbean states. These latter countries straddle the busiest route of cocaine with European destinations – 25 MT flow annually from the Eastern Caribbean to Europe, mainly the United Kingdom. The South American (mainland) Caribbean provides 17 MT of cocaine exports to Europe, mainly the Netherlands. The Dutch islands just off the Venezuelan coast and Cuba are the origin of over 10 MT of cocaine that are consumed in Europe.

24. The largest marijuana market in the Caribbean is Jamaica, which generates some 210 million U.S. dollars, almost half of the regional market and 2.8

percent of the registered Gross Domestic Product. In 2000, exports of Jamaican marijuana generated 160 million U.S. dollars in revenues for the country, a figure that is much lower than the estimated 1 billion of U.S. dollars that entered Jamaica for marijuana exports during the 1980s. Excluding the foreign re-export sector, the local consumption of marijuana generates a larger income for traffickers in Puerto Rico, almost 80 million U.S. dollars, than in Jamaica. Other important marijuana markets, in relative terms, are in the South Eastern Caribbean, Belize and the Eastern Caribbean. Saint Vincent and the Grenadines, that has been the largest exporter in the Eastern Caribbean since the 1990s, is the origin of 55 percent of the marijuana consumed in that area. For that country, marijuana exports provide some 10 millions U.S. dollars, an income that represents 18 percent of the Saint Vincent and the Grenadines' legal exports and 3 percent of the local Gross Domestic Product. It also generates an average income of 85 U.S. dollars for every Vincentian.

25. Jamaica produces 180 MT of marijuana annually over a cultivated area of 265 hectares. This represents 55 percent of the total Caribbean marijuana production. The Eastern Caribbean, including Trinidad and Tobago and the Virgin Islands, produces 45 metric tonnes of marijuana. Saint Vincent and the Grenadines has surpassed Trinidad and Tobago as the first producer in the area, with an estimated total production of 25 MT of marijuana on an approximate surface area totalling 20 hectares. That is the highest ratio of marijuana cultivation per total arable area in the region, 0.24 percent, well

over the Bahamas, with 0.12 percent, or Jamaica, 0.06 percent.

Market organisation

26. There is no region-wide organisation in the Caribbean drug market, not even one for any particular drug. And there are no signs to indicate the emergence of a regional organisation that may aspire to claim a monopoly of the regional drug market. The Colombian traffickers, who had traditionally exerted a great influence over the cocaine market through their ability to control the supply of cocaine available in the region and who have the capacity to favour some organisations over others, seem to feel comfortable under this framework of limited competition. Instead, there are several unconnected markets and organisations operating in segmented markets. National groups continue to be powerful because they have better access to a valuable national resource – corruption. Mexican nationals dominate the cocaine market in Belize; Jamaican groups strictly control the Jamaica-Bahamas corridor for cocaine. Dominican organisations, in close collaboration with Colombian subsidiaries, have a prominent role in the cocaine trafficking in the area around Puerto Rico, as well as Hispaniola island and the Northern islands of the Eastern Caribbean. Venezuelan, Brazilian and European groups, in collaboration with local traffickers and launderers, are prominent in the cocaine trade in the Southern islands of the Eastern Caribbean and the South American (mainland) Caribbean. For marijuana, the trade is even more fragmented with Jamaican traffickers exerting a great influence derived from their control of

production. Communications between the dominant groups in each area, drug corridors are almost non-existent. Language seems to be a strong facilitator of the drug trade for every drug available in the Caribbean.

27. Beyond this ethnic division, the organisation of the drug trade in the Caribbean tends to be more like a free market than a monopoly or even an oligopoly. Business opportunities are widely available for any agent expecting to participate in the market. While arrests and disruption of existing networks made by local and international security agencies guarantee a continuous place for newcomers, the weakness and lack of resources plaguing the police forces in the Caribbean also inhibits the intentional or unintentional creation of national monopolies by a discriminate behaviour with respect to different organisations. Competition between drug organisations has generated a limited amount of violence, which had been to a large extent concentrated in Puerto Rico and Jamaica. Nevertheless, the easy and open entry to the drug market in the Caribbean does not mean it is costless. First, in a market that is inherently illegal the acquisition and access to relevant information for the entrepreneurs is expensive. Second, participation in the drug market has required increased investments, including for corruption, which imposed high entry cost for new traffickers.

28. The increasingly higher entry costs in the drug market have imposed a pattern of organisation of the market that is common to the Caribbean jurisdictions. Against the notion of a career in the illicit business that starts as

a street dealer and finishes as a national drug lord engaged in transnational trade, a pattern has emerged in which drug businessmen tend to combine illegal and legal activities. In 2000, an Antigua-based businessman was arrested in the United Kingdom with 500 kilos of cocaine; a Dominican entrepreneur with interests in many legal sectors was later arrested and accused of introducing 30 MT of cocaine in Puerto Rico. In 1999, two Spanish businessmen with interests in Cuba were charged with using the island for cocaine smuggling. To minimize risks, operations in legal activities provide a cover for the movement of goods and money, but also the connections to the political and business elites that facilitate drug transit. Drug trade represents one of the most lucrative methods in the Caribbean for diversifying a previously successful business career in legal activities. Therefore, the social origin of drug businessmen has moved beyond the popular strata that largely monopolised the drug business in their early period to the ruling elite.

29. Competition in the drug business in the Caribbean is based on prices and costs rather than quality. For cocaine, location is the main competitive advantage of the geographically located – being between producing and consuming countries. The extent of the cocaine trade within the Caribbean is based on the ability of local traffickers, or a subsidiary of foreign traffickers, to minimise the risks of state interference and guarantee a constant flow of drugs. Weak states where corruption is easy, the availability of physical and financial infrastructures, and economic and human networks connecting the region

with drug consuming countries all make transshipment of drugs a not-so-difficult business in the Caribbean. Costs of cocaine transshipment in the Caribbean are substantially lower than in Mexico, the main competitor, where corruption had made transshipment a costly business. This cost differential is, to a great extent, the cause of the comeback of Caribbean cocaine trafficking in the late 1990s. In the more mature market, like marijuana, quality is at least as important as prices and costs. The average quality of local marijuana has developed more slowly than in other areas of the world, especially in the consuming markets. The marijuana cultivation and transformation process in the Caribbean still uses mostly traditional methods that have been replaced elsewhere to produce high-quality marijuana, particularly indoors. That is the underlying reason for the constant decrease of the Caribbean participation in the world market. The taste for high-quality marijuana in the consuming markets of North America and Europe has not been met by a Caribbean supply. Even in the local markets, Colombian marijuana has been gradually displacing locally grown hemp.

30. The most popular transportation means in the Caribbean for cocaine, at least in weight terms, is by ship. 82 percent of the cocaine that travels through the Caribbean circulates by maritime transportation means. Of these, 42 percent goes in speedboats, 11 percent in fishing and recreational ships and 46 percent moves in sea containers. During the late 1980s, containers experienced a remarkable growth as a way to conceal cocaine at the expense of speedboats, whose relative

importance has declined. Only 3 percent of the cocaine flowing around in the Caribbean is transported through terrestrial means, an option that is mainly localised in the Dominican-Haitian border. Air transportation accounts for only 15 percent of the cocaine circulating through the Caribbean. Couriers, a large part of the detainees in the Caribbean on drug trafficking charges, only transport 3 percent of the cocaine in the region.

31. There are big differences in the use of transportation modalities depending on origin and destination. Maritime means are prevalent for both export and importation, but are more often used for taking cocaine out of the Caribbean than for introducing it into the region or for intra-Caribbean exchanges. Speedboats take aboard almost 50 percent of the cocaine that arrives to the region, while containers represent over one quarter. A mere 17 percent of the cocaine entering the region comes through air transport and human couriers only account for 2 percent of the total cocaine available in the Caribbean. If fast boats dominate the scene for cocaine entering the

Caribbean, the sea containers are the most important way to take the cocaine out of the region. 70 percent of the cocaine leaving the Caribbean is concealed in ship-bound containers. Only 7 percent of the total amount of the cocaine that goes from the Caribbean to consumer countries in the developed world travels with human couriers. For routes whose final destination is Europe, these percentages are higher for both cases. Pleasure boats have a larger role than the average when it comes to the United States. In the intra-Caribbean movement of cocaine, go-fast boats account for 62 percent of the traffic.

The busiest routes in the Caribbean whose final destination is the U.S were...

	2000		Trend
	mt	%	
South America- Jamaica-Bahamas -Continental USA	34	21	?
South America- Puerto Rico -Continental USA	27	16	?
South America- Dominican Republic-Puerto Rico -Continental USA	19	11	?
South America- Dominican Republic -Continental USA	18	11	?
South America- Eastern Caribbean-Puerto Rico -Continental USA	18	11	?
South America- Haiti-Dominican Republic-Puerto Rico -Continental USA	13	8	?

32. Between 100,000 and 125,000 individuals are directly involved in the production and the commercialisation of illegal drugs in the Caribbean. This represent less than 1 percent of the total labour force in the region. Indirect employment generated by the drug trade may quintuple that figure. Marijuana, that accounts for two of the more labour-intensive segments of the drug production process – cultivation and retailing distribution – generates almost 60 percent of the total employment in the drug business. The cocaine business in the Caribbean, which is heavily dependent on the capital-intensive transportation, hardly creates 45,000 jobs. Drug retailing distribution is responsible of the 65 percent of the employment created in the region while production involves another 20 percent of the jobs. Under the accepted notion of the substitutability of legal and illegal income, in the Caribbean drug income seems to be largely a complement to other legal activities.

For more than 70 percent of the people who obtain an income from drugs, they also earn an income coming from legal activities. Therefore, the number of individuals whose income depends exclusively on drugs is under 35,000. These are concentrated in the middle levels of the drug business because both high earners, businessmen, and low earners, producers and retailing distributors, usually combine their drug income with other kinds of legal incomes. In this sense, drug income distribution is driven by inequality – the highest 10 percent earners accumulate more than 85 percent of the income. In other words, some 12,000 drug businessmen, including some public sector entrepreneurs, receive an annual income that exceeds 200,000 U.S. dollars. At the other end, 70 percent of the drug employees receive less than 2,900 U.S. dollars, that is the region's per capita income.

The busiest routes within the Caribbean countries to European countries...

	2000		Trend
	mt	%	
South America- South Eastern Caribbean -Europe (The Netherlands, France)	18	23	?
South America- Eastern Caribbean -Europe (UK, France, The Netherlands)	15	19	?
South America- Netherlands Antilles and Aruba -Europe (The Netherlands)	10	13	?
South America- Cuba -Europe (Spain)	10	13	?
South America- Trinidad and Tobago -Europe (UK)	9	11	?
South America- Dominican Republic -Europe (Spain, The Netherlands)	5	6	?

Domestic demand

33. Against the usual notion that producing and transit countries tend to emerge, sooner than later, as consuming markets, drug use in the Caribbean remains surprisingly low in spite of three decades of heavy drug trafficking. With the caution of the statistical underreporting and fragmentation of the region in drug matters, the annual drug use prevalence in the Caribbean is 3.7 percent of the adult population. This proportion is slightly lower than the global average, 4.2 percent, and very well below the prevalence found in the major markets – 8.2 percent in North America and 10.0 in the European Union. The lifetime prevalence is under 10 percent. Between 950,000 and 1 million Caribbean residents consume illicit drugs annually – a mere 0.7 percent of the global supply of drug consumers. About 75 percent of those are heavy users, that is, they consume drugs at least twice per week. Only 150,000 individuals are users of more than one drug.

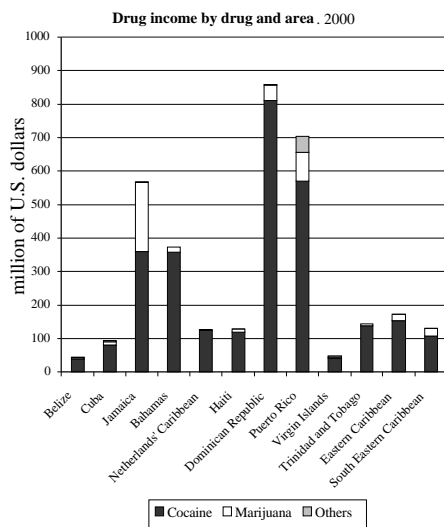
34. This general percentage is unequally distributed across the region as a response to very diverse cultural and historical dynamics. The country with the highest annual prevalence of drug consumption is Jamaica, 12.8 percent with the Eastern Caribbean at 10.5 percent. The Virgin Islands, the Bahamas and Puerto Rico, as well as the Netherlands Antilles and Aruba, also show annual drug prevalence over 7 percent. At the opposite end, in Cuba, the Dominican Republic and Haiti, that incidentally are the most populated countries in the region, less than 3 percent of the adult population used illicit drugs during the past twelve months. According to the limited available statistics and the perception of demand reduction experts, drug

consumption is on the rise in almost every country in the Caribbean.

35. Marijuana is the drug of choice of the Caribbean. Nearly 700,000 adults use it annually – an annual prevalence rate of 2.5 percent. The Caribbean accounts for a mere 0.5 percent of the marijuana users around the world against a global annual prevalence rate of 3.4 percent. Unlike other parts of the world where hashish oil is more prevalent, in the Caribbean marijuana is normally smoked with little transformation or, occasionally, consumed as a tea. Marijuana use, nevertheless, is extremely diverse in the Caribbean. Jamaica and the Eastern Caribbean record use prevalence over 10 percent. In Jamaica, one survey reported a lifetime prevalence of 34 percent. The English-speaking Caribbean has a marijuana annual prevalence rate of 8.8 percent, well over the region average. On the opposite end, less than two percent of the adult population in Cuba, Haiti and the Dominican Republic used marijuana in the previous twelve months. In total, Caribbean residents consume about 185 MT of marijuana, while tourism barely adds 7 percent of that amount to the domestic demand.

36. Cocaine use in the Caribbean is relatively higher than the world average but lower than the Western Hemisphere and developed countries' use prevalence. In fact, cocaine is the only illicit drug whose consumption in the region is higher than the global average. The most refined estimate of the annual use prevalence is 0.6 percent of the adult population, a figure that is double the global average of 0.3 but is far away from the 2.2 percent recorded in the United States. Some 180,000 Caribbean residents used cocaine in 2000, of which 65 percent were heavy users.

Nearly two thirds of the cocaine users in the region consume crack cocaine, a highly addictive derivative of the coca leaves with powerful physical effects for the users. The new, younger users increasingly prefer sniffing cocaine powder. 75 percent of the total cocaine users live in Puerto Rico and Jamaica. With the current local use patterns, 3.9 MT of cocaine are consumed in the Caribbean, a mere 1.5 percent of the annual flow of cocaine through the region. The highest ratios of locally consumed to in-transit cocaine are in The Bahamas and mainland Caribbean. Only 4 percent of the total amount of local cocaine use is attributable to tourists.



37. Social characteristics of cocaine consumers is highly polarised according to the type of cocaine derivative used. The average user of crack cocaine, (whose invention is attributed to a Bahamian dealer in 1982, two years before the first case appeared in the United States) lives in poor urban or semi-urban areas and shows high levels of substance abuse or addiction, mainly induced by the lack of psychological and economic alternatives to drug consumption. The use of powder

cocaine is concentrated among the higher social classes who can afford to pay the usually high price of the drug.

38. The use of opium derivatives is very low in the Caribbean with the exception of Puerto Rico and the Dutch Caribbean. Only 70,000 people used heroin during the past year – an annual prevalence of 0.2 percent. In Puerto Rico the introduction of heroin is attributed to veterans of the Vietnam War. Its use, far from being eliminated, expanded to poor urban or semi-urban areas. In the Dutch Caribbean heroin use is derived from the returnees of the Netherlands. In some jurisdictions its use is simply unknown. There are certain components of the Caribbean cultures that seem to be resistant to the expansion of heroin use. Especially relevant for this pattern is the case of the Dominican Republic, where individuals and groups of Dominican descent control a significant part of the retailing/ distribution of heroin on the East Coast of the United States, one third of this burgeoning market according to some analysts, while heroin use in the Dominican Republic is virtually absent. And this very low local consumption takes place in an environment where poverty and frustration in urban neighbourhoods may be expected to be conducive to heroin use. It appears that Dominican dealers were driven by nationalist ideas that keep them away from the local market, and it can be concluded that certain features of Dominican society, especially related to leisure activities, prevents an increase of heroin use in spite of the great potential for it.

39. Amphetamine-type use in the Caribbean is also very low, with an annual use prevalence of 0.2 percent – or 55,000 people in absolute terms. Although ecstasy use has experienced a

rapid increase in the region during the past two years, its consumption is relatively new in comparison to the United States and Western Europe and much less prevalent. In these sophisticated societies, the annual prevalence rate of ecstasy is well over 0.5 percent of the adult population. But the gap between the Caribbean and those developed regions may be closing quickly. Similar perceptions about the rise in ecstasy use may be found all over the region. Unlike users of crack cocaine, ecstasy users are more likely to be concentrated among socially integrated young people who consume ecstasy as a weekend pastime associated with the dance scene while remaining active in their daily lives. This model of consumption makes the region potentially vulnerable to the same kind of massive use of ecstasy among teenagers that had been seen in Europe first and in the United States afterwards. Nevertheless, the unit prices in the Caribbean, 30 U.S. dollars for one tablet – compared to 20 to 25 dollars per tablet in the United States and Europe, as well as divergent consumption patterns in leisure time, seems to have prevented a more massive use of ecstasy in the region to the present day.

Public regulation

40. In the Caribbean region, public activity to confront illegal drugs is biased towards the supply control side, aimed at diminishing the amount of illicit drugs available in the region, rather than on demand reduction. Despite the limitation of the available statistics and the difficulty to differentiate between drug control and policing activities in general, it is estimated that from 0.2 to 0.7 of the public sector budget is dedicated to interdiction and supply control in the Caribbean depending on the country.

On average, this amount is ten times higher than the money invested in demand reduction. In general terms, there is a positive relationship between the money allocated to drug issues and the level of development of the country. However, the effectiveness of the supply side operations seems to be limited in terms of reducing the use and availability of illegal drugs in the local markets. Between 70 to 90 percent of the drug seizures were destined for consumption in foreign markets. Accordingly, the amount of drugs that is withdrawn from the local market is under 15 percent, a figure that has almost no effect on the local price of drugs. This figure is far below the 60 percent of seizures that has been proven by some studies to be the effective lower limit, which would have an impact on the price of illegal drugs.

41. In 2000, the countries and territories that comprise the Caribbean region seized 19 MT of cocaine from traffickers. This represents 4.4 percent of the estimated amount of cocaine that enters the region and an interception rate of 7.7 percent if the estimated amount of cocaine that arrives into a Caribbean country is taken into account. The seizures in the Caribbean totalled 5.3 percent of the global cocaine seizures. At any rate, 2000 showed the lowest levels of effectiveness in terms of cocaine seized over the past decade. Only Cuba and the Hispaniola Island improved their records of cocaine seizures in 2000. The total cocaine seizures fell by 33 percent over the previous year. Cocaine seizures were reduced to an annual interception rate of 6.5 percent from its peak in 1994.

42. While drug interception data are not a reliable reflection of drug flows since they can be affected by both police efficiency and the total amount of drugs

in circulation, they can reveal some major developments in the cocaine market in recent years. With this in mind, the Caribbean Western corridor that goes from Colombia to the United States via Jamaica and the Bahamas, had 3 percent of the total cocaine seizures in 1994 as compared to 49 percent in 2000. Puerto Rico and Hispaniola Island, which in 1995 had 78 percent of the cocaine seizures in the region, reduced their contribution to 40 percent in 2000. The contribution of the Eastern Caribbean to the Caribbean cocaine seizures declined even more dramatically from 32 percent in 1994 to a mere 7 percent in 2000.

43. The division of cocaine seizures according to linguistic groupings shows an even clearer evolution over the past decade, reflecting to a large extent different models of police co-operation and the changing dynamics of the cocaine flows. The English speaking Caribbean, which accounts for 16 percent of the total population, recorded an accelerated participation in the amount of cocaine seized in the region, that rose from 15 percent in 1994 to 40 percent in 2000. Meanwhile, the Spanish-speaking Caribbean, with well over 60 percent of the population, reduced its contribution to the cocaine seizures from 74 percent in 1995 to 52 percent in 2000. The French-speaking Caribbean did not present a consistent trend, but its participation in the seizures has always been under represented population-wise, which can be attributed to very low interception efficiency in Haiti. The Dutch-speaking Caribbean have never reached 6 percent of the total cocaine seizures in spite of the increasing role played by Suriname, Aruba and the Netherlands Antilles in the international cocaine trade. A more marked trend appears when the

Caribbean jurisdictions are divided between dependant territories and independent countries. The independent nations, that have 86 percent of the Caribbean population, are responsible for only 38 percent of the regional cocaine seizures averaged over the 1994-2000 period. Nevertheless, their participation in the Caribbean cocaine seizures has doubled during that period from a mere 25 percent in 1994 to 55 percent in 2000.

44. By countries, the highest interception rates registered in 2000 are those of Cuba, with 23 percent, followed by Puerto Rico – 13 percent. However, both jurisdictions are favoured by their location and/or special status: in the case of Cuba where the majority of their seizures are made through the so-called *recalos*, that is, cocaine lost in the Jamaica-Bahamas corridor that is delivered to the Cuban beaches and seized by local authorities; Puerto Rico, meanwhile, is the base of the well equipped American drug enforcement agencies that are active throughout the Caribbean. The interception rates of Jamaica and the Bahamas also exceed the regional average. For the rest of the Caribbean, interception rates are around 2 percent. Belize showed the lowest interception rate for cocaine in 2000 – a mere 0.1 percent.

45. Marijuana seizures have recorded an almost continuous decline in kilogram terms during the last decade, a general trend that was broken in 2000, when total seizures of 91 MT increased by a third from a decade-low of 68 MT recorded during the previous year. The marijuana interception rate reached 20 percent, which is partly explained by the ease of detection given by the non-mobility of the plants in connection with the eradication efforts and the large

bulk volumes involved in marijuana transportation in comparison to the low detection probabilities involved in cocaine transshipment. Marijuana interception rates have risen three-fold during the decade despite the falling levels of production and exportation. Jamaica has been credited with 44 percent of the marijuana seized in the region during the 1994-2000 period, with a sudden peak in 2000 of 62 percent.

46. The geographical and language segmentation of marijuana seizures show almost the opposite picture of the cocaine interception scene. The Central Caribbean route and the Spanish-speaking countries have gained ground at the expense of the English-speaking countries and the Western corridor centred in Jamaica. The Western Caribbean accounted for 90 percent of the marijuana seizures in 1995, but its share fell to 58 percent in 1999. Marijuana interception plummeted in mainland Caribbean countries plummeted from 20 percent of the total seizures in 1994 and 1996 to 0.3 percent, (The English-speaking Caribbean, that almost monopolised marijuana seizures in 1995 with over 95 percent of total captures, dropped its contribution to 72 percent in 1999). Alternatively, Spanish-speaking countries increased their share of marijuana seizures during the same period from 4 to 27 percent. Marijuana seizures in the French and Dutch-speaking jurisdictions are almost non-existent. Cuba and Jamaica show the highest marijuana interception rates in the Caribbean, with 39 and 30 percent, respectively. In the case of Cuba, a large part of the seizures correspond to effortless *recalos* and for Jamaica, eradication is a much easier task than detection while being transhipped.

eradication is a much easier task than detection while being transhipped. The marijuana interception rates in the Bahamas, the Eastern Caribbean and Puerto Rico are about 15 percent. Meanwhile, the mainland Caribbean and Hispaniola Island present low marijuana interception rates of less than 5 percent.

Cocaine seizures in the Caribbean region, 1996 -2000 (figures in kilos)

JURISDICTIONS	1996	1997	1998	1999	2000
NORTH SECTOR					
<i>Bahamas</i>	115	2,565	3,347	1,860	2,779
<i>Turks and Caicos Islands (UK)</i>	393	1	2,075	1	303
WEST SECTOR					
<i>Belize</i>	470	2,691	1,221	38	13
CENTRAL-WEST SECTOR					
<i>Cayman Islands (UK)</i>	2,219	1,054	1,213	1,401	1,812
<i>Cuba</i>	7,905	1,444	956	2,444	3,144
<i>Jamaica</i>	254	414	1,143	2,455	1,655
CENTRAL-LEFT SECTOR					
<i>Haiti</i>	956	2,100	1,272	380	n/a
<i>Dominican Republic</i>	1341	1,225	2,337	1,071	1,306
CENTRAL-RIGHT SECTOR					
<i>Puerto Rico (US)</i>	11072	15,153	10,344	9,977	n/a
<i>U.S. Virgin Islands (US)</i>	n/a	n/a	n/a	n/a	.01
CENTRAL-RIGHT SECTOR					
<i>Aruba (NL)</i>	203	408	794	464	346
<i>Netherlands Antilles (NL)</i>	710	1,302	639	18	n/a
EAST SECTOR					
<i>British Virgin Islands (UK)</i>	1765	838	75	10	534
<i>Anguilla (UK)</i>	289	0	0	0	n/a
<i>St. Kitts and Nevis</i>	0	150	1	1	0.052
<i>Antigua and Barbuda</i>	6	126	1	25	24
<i>Montserrat (UK)</i>	0	1	0	0	n/a
<i>Guadeloupe (FR)</i>	1224	21	44	593	292
<i>Dominica</i>	3	101	29	83	10
<i>Martinique (FR)</i>	17	37	46	36	14
<i>St. Lucia</i>	20	8	58	121	110
<i>Barbados</i>	36	88	35	141	179
<i>St. Vincent and the Grenadines</i>	2	1	13	15	50
<i>Grenada</i>	9	213	3	42	101
<i>Trinidad and Tobago</i>	180	31	79	137	303
SOUTH-EAST SECTOR					
<i>Guyana</i>	91	66	3,222	38	163
<i>Suriname</i>	1,413	117	283	180	213
<i>Guyane (FR)</i>	45	167	175	446	25
NORTH-EAST SECTOR					
<i>Bermuda (UK)</i>	23	4	11	392	13

Source: Caribbean Coordination Mechanism (CCM) & Police Forces

Marijuana seizures in the Caribbean region, 1996 -2000 (figures in kilos)

JURISDICTIONS	1996	1997	1998	1999	2000
NORTH SECTOR					
<i>Bahamas</i>	2,606	3,763	2,598	3,500	4,134
<i>Turks and Caicos Islands</i>	17	22	8	10	2
WEST SECTOR					
<i>Belize</i>	202	263	1,557	392	249
CENTRAL-WEST SECTOR					
<i>Cayman Islands (UK)</i>	3,188	3,423	4,063	5,100	6,621
<i>Cuba</i>	5,369	6,023	4,610	5,559	8,801
<i>Jamaica</i>	31,587	24,729	35,911	22,740	55,869
CENTRAL-LEFT SECTOR					
<i>Haiti</i>	n/a	9,000	9,255	31	
<i>Dominican Republic</i>	246	788	650	184	2,934
CENTRAL-RIGHT					
<i>Puerto Rico (US)</i>	8635	1,337	1,285	12,605	n/a
<i>U.S. Virgin Islands (US)</i>	n/a	n/a	n/a	n/a	27
CENTRAL-RIGHT					
<i>Aruba (NL)</i>	77	13	n/a	141	12
<i>Netherlands Antilles (NL)</i>	650	n/a	541	112	n/a
EAST SECTOR					
<i>British Virgin Islands(UK)</i>	119	85	84	26	103
<i>Anguilla (UK)</i>	1	1	0	8	n/a
<i>St. Kitts and Nevi s</i>	5	67	31	16	120
<i>Antigua and Barbuda</i>	1,485	628	105	94	66
<i>Montserrat (UK)</i>	1	3	0	2,677	n/a
<i>Guadeloupe (FR)</i>	667	1,057	688	515	1,016
<i>Dominica</i>	136	405	361	192	467
<i>Martinique (FR)</i>	166	355	136	199	749
<i>St. Lucia</i>	326	622	352	352	1,803
<i>Barbados</i>	3,083	1,092	96	745	6,500
<i>St. Vincent and the</i>	1,227	527	1,321	7,188	1,708
<i>Grenada</i>	191	123	127	218	194
<i>Trinidad and Tobago</i>	1,1,408	3,120	1,850	1,558	1,546
SOUTH-EAST SECTOR					
<i>Guyana</i>	52,377	20,179	8,860	3,954	123
<i>Suriname</i>	17	65	105	177	107
<i>Guyane (FR)</i>	99	40	51	134	59
NORTH-EAST SECTOR					
<i>Bermuda (UK)</i>	107	92	83	n/a	n/a

Source: Caribbean Coordination Mechanism (CCM) & Police Forces

47. Police co-operation within the region remains at very low levels, partly due to legal constraints but very much influenced by corporate police behaviour. Only European countries with territorial interests in the region and the United States have permanent on-going co-operation. Linguistic barriers impose an insuperable barrier for close co-operation. Perception of largest country of the Caribbean and its closest neighbours.

48. In this context, the only information-sharing process that works takes places between almost all Caribbean jurisdiction and the United States, that acts as the regional hub for law enforcement co-operation or, to a limited extent, as the general supervisor and facilitator of the drug enforcement activities in the region. Under these conditions and in light of much needed co-operation against a largely transnational crime, the drug flows for internal consumption or trafficking to Europe remains relatively under supervised in contrast to the pressure imposed on drug networks that export illicit drugs to the United States.

49. The justice systems in the Caribbean in respect to drug trafficking and consumption present strong differences, but the severity of the laws and prison sentences for drug use are common features. In Cuba, capital punishment is within the repertoire of available sentences in the legal codes to deter drug trafficking. As a result, more than 25 percent of the inmates in the region are imprisoned on drug use or trafficking charges in every country. Incarceration rates in the region are among the highest in the world. In the Caribbean 85,000 people, or 0.3 percent of the adult population, are in prison. Five countries of the region, the

corruption, internal operational inertia and cultural stereotypes also play a role in preventing increased co-operation. The Caribbean Spanish-speaking countries are unable to co-operate to their benefit with coca producing countries or their English-speaking neighbours in the Caribbean. Cuba's isolation also affects potential co-operation between the Cayman Islands, the Bahamas, Bermuda, Suriname and the Netherlands Antilles, are in the top ten of the world incarceration rate list, with rates well over 450 people per 100,000 residents. Every jurisdiction in the Caribbean with the exception of Haiti has higher incarceration rates than the most punitive minded country in the European Union. This readiness to send people to prison for minor drug crimes sharply contrasts with the reluctance to sentence big drug entrepreneurs accordingly.

50. Treatment and rehabilitation efforts for drug addicts in the Caribbean face serious adversities, including the lack of public resources invested in the area of demand reduction, the limited and not-so-well co-ordinated participation of non governmental organisations, the existence of especially punitive penal systems to deal with drug use and abuse, and a prison system in which the reintegration of individuals into society is very much subordinated to its punitive role. The conditions of the prisons in the Caribbean are particularly contradictory to the rehabilitation principles. The average occupancy rate, that is, the ratio between the real occupancy rate and the official capacity in Caribbean prisons is 160 percent. In Grenada, the Dominican Republic, Saint Lucia, Belize and Haiti, the number of inmates is double the official prison capacity.

51. Beyond official policies, the public and private sectors have another opportunity to influence the drug market – corruption, which facilitates drug production, circulation and distribution. In 2000, illegal drugs generated an income of 320 million U.S. dollars for the public and private sector employees in the Caribbean – 0.3 percent of the region’s Gross Domestic Product or 9.4 percent of the income produced by illegal drugs. This percentage almost perfectly assimilates to the average official fiscal pressure in the region. Nevertheless, the public sector employees as well as the business enterprises participation in the drug business varies according products, phases of the productive process, and geographic areas. Cocaine is concentrated on the most capital-intensive part of the drug business and accordingly it needs more money in corruption terms in order to guarantee a safe transit. Therefore, cocaine leaves a trail of 290 million U.S. dollars in the Caribbean civil servants’ pockets, or 10 percent of the total income generated by cocaine in the region. Public participation in the marijuana business is much lower and the payment to civil servants is only 4.5 percent of the total income. Accordingly, 92 percent of the drug income pocketed by civil servants comes from the cocaine business, with marijuana contributing a scarce 6.5 percent. In terms of the steps involved in marketing drugs, trans-border transportation is the most vulnerable activity and so more investment in corruption of customs and law enforcement personnel is needed – 12 percent of the total income is earned in this phase. On the other hand, retailing/distribution

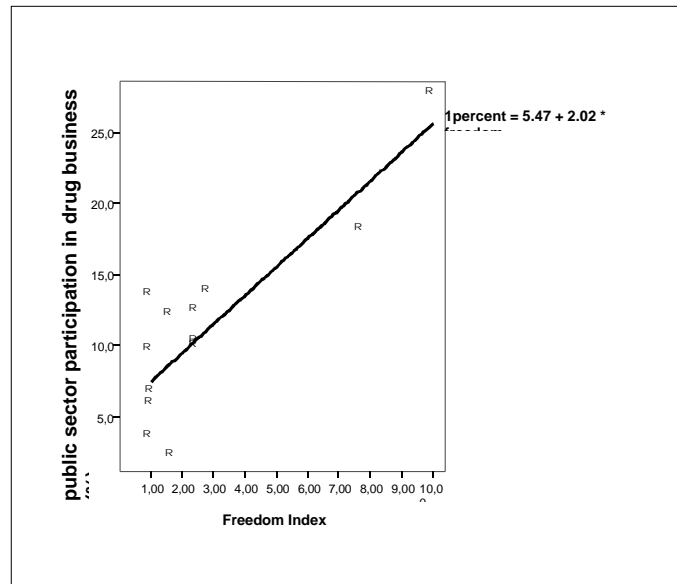
only gives 4.4 percent of the value-added to civil servants.

52. The agreement between drug entrepreneurs and public and private services always involves a negotiation process whose results are very much dependant on the particular bargaining power of the agents. Accordingly, the outcome may be the subordination of the public and private sector employees to the economic power of the drug traffickers – associated with powerless states – an egalitarian relationship between independent actors – the Colombian model –, or a kind of agreement in which the public sector regulates the market to maximise the profits of the public servants – the traditional Mexican model. With a couple of exceptions found within the biggest state structures of the region which have the ability and the power to govern the drug market in their respective countries, the most usual corruptive association in the Caribbean is shaped by a combination of the first and second models, in which the traffickers have, at least, the same bargaining power as their public counterparts to construct a long-standing relationship. In weak and poor states with a small economic base, scarce endogenous resources and limited means to exert legitimate authority, an external or internal agent with enormous economic power, such as a drug businessman, can exert tremendous pressure that eventually can jeopardise the survival of the government or, at least, its legitimacy. The most fragrant case of this kind of unequal relationship between drug traffickers and public

officials took place in Saint Kitts and Nevis, where a notorious drug businessman was able to effectively challenge the state authority through intimidation or violence for years until the public authorities were able to extradite the individual. A regional military operation was needed in the process of gaining back the state authority against the power of the trafficker.

53. There are at least two sets of factors that seem to influence the participation of the public sector in the drug business in the Caribbean – economic and political freedom. Although both concepts are difficult to measure in practice and incorporate moral biases by definition, both seem to be negatively related with larger scale participation of public servants in the illegal drug market. Taking the Freedom Index developed by the organisation Freedom House, in which political rights and civil liberties are measured on a one-to-ten scale, with one representing the highest degree of freedom and ten the lowest, the participation of the public servants in the drug sector grows 2 percent for each percentage point of political freedom with a degree of public sector participation of 7.5 percent for the highest level of political freedom. Low levels of political freedom are associated to authoritarian or totalitarian regimes in which the state is involved in particular issues with the consent or the non-consent of the individuals or, alternatively, with a weak state apparatus to guarantee human rights and political liberties for the individual living within its territory. Although both kinds of non-liberal regimes (authoritarian or police

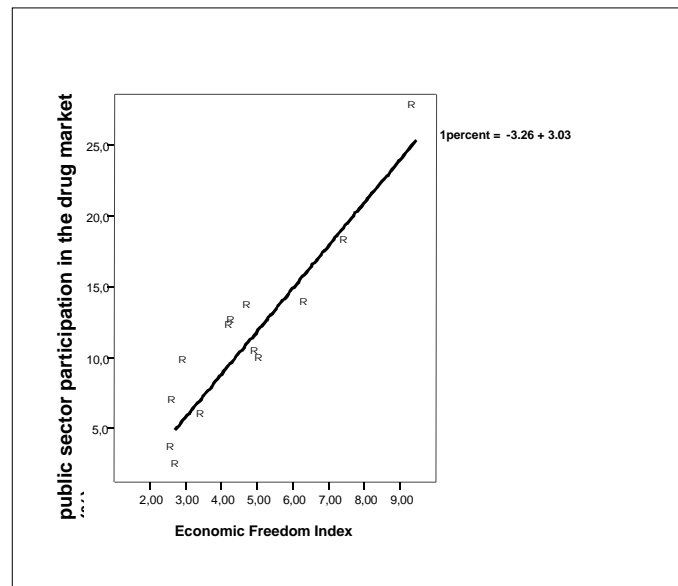
state) are associated with high degrees of public sector participation in the drug business, their relation to drug markets is completely different. Under an authoritarian-type regime, the involvement of public servants in the drug market is an absolute requirement if the industry aspires



to survive because the presence of the public sector is everywhere. In a failed state, the degree of uncertainty for doing business, whether legal or illegal, is so large that businessmen need to bribe a lot of public agents in order to protect property rights in the medium run. The lack of controls over the public sector activities (law enforcement) that are associated with the weakness in the protection of civil liberties and political rights are universally conducive to corruption, including drug-related corruption. In the Caribbean context, low levels of political freedom may be facilitated by an inequitable income distribution, small population size, or the lack of democratic traditions.

54. Similar conclusions can be drawn if the participation of the public servants in the drug business in the Caribbean is correlated with the level of economic freedom as is measured by the Heritage Foundation on a one-to-ten scale, with one representing the highest degree of freedom and ten the lowest. In this case, each point of economic un-freedom increases in 3 percentage points the participation of public servants in drug business, with of 0 percent in those jurisdictions with the highest levels of economic freedom. The same degree of intervention in the legal markets is usually associated with the interference of public servants in the drug business. Economic freedom does not mean a mere reduction of the public sector participation in the economy; instead, it means a public sector that has the ability to guarantee economic rights to every individual or firms whatever the state contribution to the economy is. The correlation between the public sector's participation in drug business and an interception rate is statistically insignificant. A possible explanation is that, in some instances of corruption, the agreement between protected drug traffickers and public servants usually involves the arrest of independent drug entrepreneurs and planned seizures in order to exhibit an apparent efficiency in the official drug fight. In the same way, when all other variables are controlled, there is no correlation between corruption and legal tradition – Common Law or Civil Law.

55. The actual drug policies being implemented have not been immune



to illegitimate, selfish manipulation by ruling elites within the Caribbean countries to maintain the existing internal power distribution. Firstly, drug use has been used to stigmatise the poor people in the region. Instead of focusing drug policy on rehabilitation to help drug users, some politicians, in close collaboration with mass media and many in the civil society, have tended to criminalize and demonise every aspect of the poor people's cultural or political manifestations, especially if they are young people, as a form of drug-influenced criminal behaviour. Since drugs are illegal, people who coexist with drugs are also considered "illegal", or evil at best. The demonizers express this biased linkage between poverty and drugs even if drug use is also frequent among the power elites. By articulating opinions that are driven by a dichotomy between good and evil, in which evil is identified with drugs, they have tended to marginalize drug use among poor people, to stigmatise these consumers and, in general terms, to torpedo the ultimate aim of the drug policy – reducing the number of drug users. Instead, these views, which are uncritically associating poverty with drugs, are

functional because they are used by the ruling elite to justify disempowering the poor and to condemning any social protests. In an official explanation that has not been unusual in the region, high-ranking state officials accused the rioters that rallied against the power blackouts in the Dominican Republic in 2001 of being financed by drug trafficking interests and acting under the influence of drugs. Widespread accusations about drug involvement in politics that appear around the region have been used, in some cases, with the intention of illegitimately altering public policy or the existing power distribution without checking the accuracy of the charges involved. These practices of defamation have been used as a unsubstantiated weapon not only in internal politics but have also been a component of the relationships among Caribbean states and between regional jurisdictions and extra-regional countries.

56. Some public policies implemented by Caribbean governments in their legitimate pursuit of their people's economic well being have been counterproductive for the general effectiveness of the drug control efforts. This contradiction between an effective drug policy and other public policies has manifested itself in at least two instances – free-trade areas and offshore financial centres. Free-trade areas were established by many Caribbean government since the 1970s with the purpose of attracting foreign investment and offering better opportunities for local industry. In 2000, a large proportion of import and export

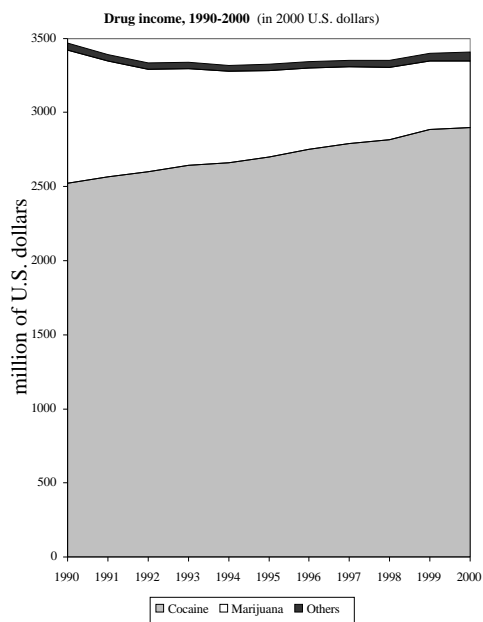
industries in many Caribbean countries have been brought together in these areas. For example, 80 percent of the Dominican exports move through the free-trade zones. In an effort to minimise the obstacle to economic activities in these special development zones, some governments have tended to mistake tax-free with control-free jurisdictions. As an unintended consequence of this lack of customs controls, free-trade areas have often been the subject of discussion among law enforcement agencies for their vulnerability to be used as transshipment points in the drug trade. An estimated 40 to 50 percent of the cocaine that circulates through the Caribbean in ship containers goes through these virtually uncontrolled free-trade areas. In some countries, where the controls over the entry and exit flow of goods are almost non-existent, this proportion reaches 70 percent.

57. Caribbean offshore banking system and its assumed connection to money laundering have been in the centre of the debate on anti-money laundering practices even before the Financial Action Task Force issued its list of uncooperative jurisdictions. Four Caribbean offshore centres were placed on list at the beginning. At the core of this discussion have been the apparent conflicting interests of the national governments to diversify their economies under the increased pressures of globalisation, often asserted in a strongly nationalistic manner, and the equally legitimate concern of the developed countries to restrict the flow of illicit money in their economies. By presenting the debate as a nationalist fight

between rich and poor countries, the room for a real cost-benefit analysis for Caribbean countries has been closed. In this sense, the profits of the offshore financial centres for the Caribbean population have been rather small. The Caribbean countries themselves with offshore banking services represent only 3.8 percent of the total regional population. With the exception of the Cayman Islands, Bermuda, the Bahamas, and Anguila, offshore banking generates less than 10 percent of the Gross Domestic Product, of the local employment and an even inferior proportion of the public sector revenues. In fact, the good jobs provided in the offshore financial centres are almost universally monopolised by foreigners. Moreover, the possibilities for developing a successful offshore centre have diminished during the 1990s as onshore and offshore banking services have tended to converge and many offshore centres have emerged outside this region, including some in the developed countries. Against this background of diminished profits, almost every offshore financial centre in the region has been involved in penal cases of fraud or money laundering, as well as having to defend themselves against FATF accusations and establishing a regulatory system. Although less than 1 percent of the funds flowing into the Caribbean offshore centres correspond to drug money, these penal cases have dangerously weakened a very fragile but highly marketable asset in an increasingly globalised economy, specially in the banking sector – reputation. Given that for the general public it is rather

difficult to differentiate between Caribbean countries or offshore centres, this declining reputation, that has reached an all-time low as the international mass-media focused on the high profile cases and the black lists, has universally affected the possibilities of economic development of all Caribbean countries, even if there are strong differences in money laundering regulations among regional offshore centres. Additionally, corruption and its negative influence on local politics have been usually associated with offshore financial centres.

58. Offshore banking has not been the only institution of the local regulation that has attracted international criminal organizations, including drug traffickers, to the region. Criminals, given the general lack of controls – the economic citizenship programmes, have illegitimately used another public policy that was established with the aim of increasing local public revenues. The facilities given under these programmes to change names and identities have proven especially attractive for international criminals. Although the number of criminals buying these passports has not exceeded 200 for the entire Caribbean, these legal instrumentalities have had at least two unintended consequences: one, becoming a source of conflict with those developed countries where these criminals are sought and two, increasing the regional pool of criminals that eventually try to apply their economic power to exert a corruptive influence in the countries that provide them refuge.



59. In recent years, the debate on the legal status of the currently illicit drug marijuana has been rife in the Caribbean, especially in the English-speaking countries. In 2001, a government-backed National Commission on Ganja in Jamaica recommended to the executive and legislative branches to amend the laws so that marijuana would be decriminalised for the private, personal use of small quantities by adults and consumption for religious purposes. The requested move has already been implemented in some European Union countries during the last decade. The petition for partial or complete legalisation or decriminalisation has been based on religious, moral, political and economic reasons. Support for these proposals remains a minority position in the Caribbean according to the limited surveys available. However, the official government positions about drugs in favour of keeping them illegal has not been neutral by spreading drug fears

among the general public. From this perspective, the official discourse should look for more rational and pragmatic arguments to support the illegal nature of drugs than simply stressing the intrinsic evil of drugs.

60. Accordingly, the region may find a more scientific, and less visceral, way of addressing the question of the legal/illegal nature of drugs by analysing both the pros and cons of the available public policies to apply to drugs. An essential trail to be explored would be the quantification of the probable increase in drug use that may be expected under legalisation and if society can economically and socially afford the consequences of this expansion in drug addiction. Some recent economic studies have proven that demand for drugs is more price-sensitive than it was previously believed in the light of the addictive nature of the demand. Substitutability among legal and illegal drugs has not received enough attention. Marijuana as a “buffer” or gateway drug has also been insufficiently examined whether the damages associated with the illegal nature of drugs, such as organised crime or corruption, will be significantly reduced under a licit trade or whether decriminalisation would be counterproductive in crime terms. Corruption associated with the previous illegal drug trade may be not necessarily be eliminated under a new legal status because bribing is far from being an unknown business even for licit firms in the Caribbean.

Political consequences

61. Differences in law, economic circumstances, and social traditions

among countries in the Caribbean are substantial. However, there are some features that are common – the major being an almost universal state weakness. In spite of the progress achieved in previous decades by states to acquire resources and legitimisation, some deficiencies remain unaltered. Under these circumstances, drug use and trade implies an additional challenge to the governance of the individual political systems. It erodes the notion of national sovereignty; it hinders the construction of national and regional identities; it interferes in the process of consolidation of a political culture; it confuses the distinction between legal and illegal; it promotes an anomalous functioning of the legislative, executive and judiciary branches; and it is a source of expensive international conflicts. Most of these effects are derived from the illegal nature of drugs rather than an intrinsic effect of the drugs, although it is difficult to separate both components.

62. National sovereignty is the basic foundation of political structures and the international relations system, and continues to play an important role in spite of the economic and social globalisation progress. Drug trafficking poses a great challenge to the state claim to completely control its borders, and the entry of goods and people into the country. If the only law that drug entrepreneurs recognize is the law of supply and demand, there is no reason to think that frontiers pose a threat to their operations. Some 1,2000 MT of illegal drugs cross a Caribbean border annually – 50

kilograms of drugs per kilometre of border, but still less than 0.1 percent of the licit traffic of goods in the Caribbean. States can present an insignificant rate of success in implementing their own laws against the importation of drugs – only 7 percent of the total trans-border flow. This percentage is four times higher for human couriers and is less for ship containers. The low interception ratio erodes the states' claim to control its own territory, while at the same time powerful drug trafficking cartels contribute to the establishment of illegitimate networks that are able to introduce other unwanted goods and people.

63. The erosion of the sovereignty notion among local populations in the Caribbean has also been affected by unilateral actions implemented by extra-regional countries that see the weakness of the local governments. Although in some cases these undesired inferences have been exploited by unscrupulous local politicians to exhibit nationalistic postures aimed at gaining an electoral base or for hiding their own limitations, these actions have given wide ground to the notion that drug policy is not the result of the local consensus on the issue but a foreign imposition. Drug policy is thus considered as epitomising the lack of autonomy of the local politics.

64. Linked to the widespread view of the drug policy as an imposed policy is the idea that the origin of Caribbean drug problems is the European and American demand. If one follows this argument, there is no need to devote scarce local public resources to face other people's problems. Without denying

the reality of the supply and demand, this perspective ignores the benefits of some international relationships that are, by their nature, complex and mutually profitable. Unfortunately, these simplistic approaches do not favour the formulation of indigenous national drug policies and mask a cover of hypocrisy where private thoughts do not match with public performance.

65. The most evident effect that the drug trade has on Caribbean politics is corruption and state involvement in illegal activities. The corruption pressures have affected all state branches in the Caribbean whatever the size of the country or the power of the state. In 1989 a popular Cuban division general was sentenced and executed for organising a drug trafficking ring with fellow military officials. In 1985, the Prime Minister of the Turks and Caicos was imprisoned for introducing cocaine into the United States. The direct involvement of high officials in drug trafficking has tended to be substituted by co-operative models where drug entrepreneurs manage the business while politicians protect the business to mutual benefit. The existence of presidential regimes or parliaments that are widely subordinated to the executive branch in most Caribbean jurisdictions weakens the opportunities of the legislative branches to be involved in drug-related corruption schemes. The cases of influencing the normal functioning of the justice system through bribing or intimidation for the benefit of the drug entrepreneurs are not unusual. One leader of a

Jamaican trafficking group was judged for murder fourteen times, but was always acquitted because witnesses disappeared or were murdered. Juries have also been influenced by corruption or intimidation.

66. Although drugs generate an income of 320 million of U.S. dollars annually for civil servants in the Caribbean, they were already being corrupted before drugs arrived to the region. The Caribbean countries that appear in the Corruption Perception Index elaborated by Transparency International obtain very low marks. In 2001 the Dominican Republic received a 3.1, on a scale that ranges between ten (highly clean) and zero (highly corrupt), while Trinidad and Tobago obtained a 5.3. In 1999, Jamaica was qualified with a 3.8. Therefore, drug-generated corruption in most countries falls in a business environment in which corruption is the rule rather than the exception. Its main effect is that drugs increase the size of the corruption market in the region and can help to institutionalise corruptive relationships. And drugs introduce corruption in the law enforcement area, which is especially sensitive to public perception of delegitimization and reinforces the obstacles to the emergence of a real rule of law.

67. Drug consumption and trade also has strong implications on political culture, the set of attitudes that inform the political activity and participation of the citizens. The quantitatively limited but more manifest consequence is that it effects political thinking and the participation in politics among drug

abusers (opiate of the masses). This effect, nevertheless, should not be overstated in the Caribbean – only 0.2 percent of the adult population may be categorised as compulsive abusers. Of those, between 65 to 75 percent correspond to lower class strata whose participation in politics is limited everywhere. The majority of the users consume drugs in a recreational way that has no significant consequences in the formation of the political activity, at least in the short run.

68. Illicit drug production and commerce also affects the Caribbean political culture by blurring the line that separates legal and illegal acts on which the rule of law is based. First, drug-induced corruption leads many citizens to think that money rather than ideas and commitment determine politics and government, thus generating a great deal of distrust between politicians and their electorate. Second, drug trafficking creates deviant rules for upward social mobility in which legality is seen not a common framework for social cohesion but an obstacle for individual advancement. For the 125,000 or so, or 0.8 of the labour force, who extract a direct income from their involvement in drugs in the region, there is a radical contradiction between the rule of law and their way of living. But the concentration of the income extracted from drug trade creates tens of thousands of people who accumulate an incredible wealth and, with their flashy way of life, may become a role model for young people. With Caribbean unemployment rate over 17 percent of the labour force, a high-income

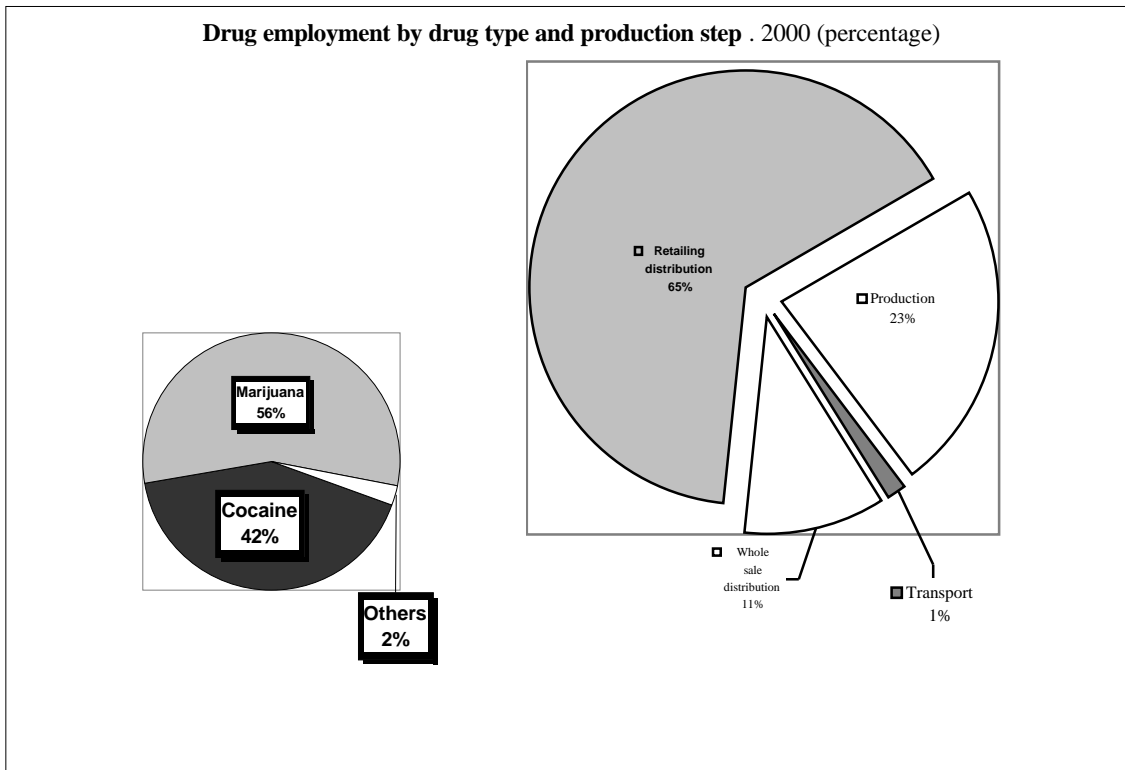
concentration, and very limited upward mobility, in poor areas where access to basic resources is scarce, drug dealing has become the only chance of escaping poverty for many people. Apart from the general idea that money provides prestige for those who have it, some traffickers grant social assistance in the poor neighbourhoods that the public sector cannot provide. Jamaican drug lords have become heroes in their communities and, when security agencies try to arrest them, the population protects them. Therefore, for many there is a real contradiction between what is lawful and real opportunity, between a political system that many perceive as unfair and the chance of obtaining prestige and money through drug business.

69. The citizenship's trust deficit in existing institutions, organisational cleavages created by drug dealers and the sympathy that drug traffickers generate among some people produces an individualisation of social and political relationships that is extremely dangerous for the governance of complex societies. Although strong leadership have been an almost universal feature of Caribbean politics during the past half-century, drug trafficking produces alternative loyalties that are not institutionally based but are individualistic in nature. Even when drug-related loyalties are not established for the purpose of challenging the state, their foundation on inter-personal trust is in direct confrontation with the notions of merit and the rule of law. Political parties and loyalty are based almost exclusively on patron-client relations. When notorious

Jamaican politicians attend the funeral of notorious drug traffickers, a situation that has not been unusual during the past two decades, social legitimisation of drug trafficking and its alternative deviant culture is honoured.

70. Drug trafficking interferes with relationships between countries within the Caribbean. Some areas and jurisdictions are stigmatised and, in some cases, punished on the basis of an allegedly intense drug trafficking. Even if some situations are real, some conflicts have been intentionally fired up by politicians

blamed by Eastern Caribbean's neighbours for being the source of the marijuana problem in their countries. In the Dominican Republic, allegations against Haiti and the Haitian migrants for being the origin of the local drug problem has been used for the implementation of some other policies against Haiti. Dominican immigrants are, in turn, censured as drug traffickers in Puerto Rico. And deportees are almost universally blamed in the Caribbean for their role in increasing and providing sophistication to local crime. Illegal drugs, therefore, effect the



who opt for externalising the problem and so avoiding accountability for the problems in their own countries. For instance, Saint Vincent and the Grenadines is

relationships between states and Caribbean peoples and also damage the reputation of migrant communities.

71. Drug entrepreneurs, beyond trying to influence the state's judicial system, have an interest in creating their own justice system in order to enforce contracts and eventually achieve a monopoly over the criminal activity that make profit maximisation and risk minimisation possible. Without the constraints of the state justice, violence is a common recourse in this private justice system. Under these extra legal conditions, drug-related murders are not unusual in the Caribbean. Drug trafficking is said to be the cause of 80 percent of the over 800 violent deaths that take place annually in Puerto Rico. 40 percent of murders in Jamaica are attributed to territorial turf wars between drug gangs. Jamaican traffickers were accused of 5,000 violent deaths in the United States during the 1985-1992 period. The drug dealers' recurrent use of violence is conducive to more private violence by non drug tainted individuals (potential murderers and robbers) who lose the confidence in the state's judicial system and can plainly see how avoiding state punishment is not only possible but usual.

72. Illicit drug production and trade has contributed to increase the level of violence in Caribbean societies through the enforcement of their internal justice code. But it also makes private violence in general more lethal by increasing the number of firearms available in the region. An illicit market in which drugs and firearms, as well as stolen goods, are exchanged is functioning in the Eastern Caribbean.

In Suriname, a kilogram of cocaine is the price for a AK-47 rifle. In general, about 60-80 percent of the weapons illegally held in the Caribbean come from the United States, where most of them are legally acquired and then exported to the region. Therefore, drug trafficking did not only increase the demand for weaponry but also stimulates the availability in the Caribbean by providing petty crime and private violence with a lethal capacity that was not previously known.

73. Drug-induced firearms availability has expanded governance problems in the Caribbean societies. This problem has particularly altered the functioning of national security agencies. First, the establishment of impunity sanctuaries in poor neighbourhoods in Puerto Rico, the Dominican Republic, Jamaica and some other countries have almost removed state presence and control in these areas. Second, better-equipped criminals have provoked an even more violent reaction in security agencies. These, lacking other investigation and legal powers, have turned to massive violence as an allegedly effective method to control poor neighbourhoods. In some cases, these actions have the sympathy of a population that is fed up with criminal violence. In the Dominican Republic and Jamaica, annual killings by police agents are in three-digits figures.

Both countries lead the Western Hemisphere in state crime. Third, widespread private violence combined with human and equipment shortages has driven police agencies to categorize many killings, specially those considered as politically irrelevant, as drug murder settlements of scores without further investigation.

74. The planning and implementation of public policies has been made more difficult and confused by illegal drugs. On the one hand, the collection and compilation of information has become a more difficult task because a large part of the economic and socially beneficial activities are illegal and implicitly hidden to official statistics. On the other hand, the implementation of public policies is unclear when relevant data about the recipients of those policies are largely unknown. In some cases, public policies may involuntarily become a piece of the drug traffickers' strategy to keep the social environment under their control.

75. Drug users and traders, although made illegal by a public decision, ordinarily do not have an anti-establishment political programme. The overwhelming majority of drug entrepreneurs and users try to maximise their utility within the existing political environment and have no an interest in subverting it. In the Caribbean, the weaknesses of the existing states, which provide widespread opportunities for coexistence and mutual profit, also are a disincentive to confrontation

Therefore, rather than being the recipient or major base of the political violence, the Caribbean has more often been used as a place for the acquisition of weaponry and money laundering by organisations acting by violent means in some other parts of the world.

76. The lax state controls in the Caribbean have been used by terrorist organisations. In 1989, ten tons of firearms were seized in Jamaica whose destination was the Colombian Revolutionary Armed Forces. This group has also exploited Suriname's interior areas to carry out arms-for-drugs deals. Many elements of the Caribbean's political, economic and social structure that had been preyed upon by criminal elements in the past, such as the offshore financial sector, the economic citizenship programme or the weakness of the state, are also attractive for terrorist groups.

Economic effects

77. Drug trade and production is a source of income for the Caribbean region. But it also has a price. First, while the costs are borne by the entire society, the number of beneficiaries of the drug income is very limited – 125,000 people in the region. Second, as it has been noted above, this has been an income with an enormous costs for the social fabric of the Caribbean societies. Using a methodology previously applied for the United States, the direct costs in terms of violence and health cost would reach 300 to 325 million U.S. dollars, that is, 0.3 percent of the Gross Domestic Product. This figure ranges from the 1.1 percent of the Gross Domestic Product in Jamaica and 0.8 percent in Puerto Rico to less than 0.1 in Cuba. Comparatively, illicit drugs cost the American economy 98 billion U.S. dollars – 1.1 percent of the Gross Domestic Product. Indirect costs, nevertheless, are hardly measurable, especially when considering the opportunity costs of using the available resources for drug use and trade.

78. The most visible effect of illicit drugs is the productivity losses that drug abuse produce and the violence associated with drug dealing. The fact that young people are the main victims of drug abuse and drug-related violence increases this productivity loss effect, while the fact that drug abuse and violence is concentrated on low-skilled young people would tend to dismiss the strength of the effect. In any of the gross estimations used for this analysis, drug-induced productivity losses are marginal, ranging from 0.1 to 0.4 percent of the total Gross Domestic Product.

79. Drug use and trade favours the already large concentration of the total income in the Caribbean. On the trafficking side, the benefits concentrate into a few hands – about 12,000 people obtain 75 percent of the total drug income. Social origin of these individuals is often the ruling elites rather than the poor, making this no contribution to open upward social mobility. On the drug abuse side, the consumption promotes an income transfer from the usually poor users to the better-off dealers. This situation ultimately contributes to the creation of above ground and black markets and an increase in the prices of some goods and services for everybody, thus decreasing the relative income of the poor people.

80. Drug-induced violence tends to be a disincentive for foreign and local investment. Violence increases the fixed and variable costs of locally established firms, that have to pay a premium for security and higher taxes to strengthen the state law enforcement agencies. But the main effect of violence is introducing a higher degree of uncertainty in making business. Although it is difficult to measure the real effect of this intangible on the Caribbean economies, there is ample evidence in the media regarding specific cases in which foreign and local firms have said that violence was a major cost for them. Additionally, drug investments are chiefly made with the aim of money laundering and not for productive and long-term return reasons. Therefore, the participation of companies that are fronts for money laundering often allow these firms to sell their goods or services under the cost price, which means that legal businesses are pushed out of the market unable to compete in these unfair competitive circumstances.

81. Drug trafficking also has a price on the main industry of the region – tourism. First, except for the marginal drug tourism, the image of the Caribbean in the international mass media as a heaven for drug trafficking constitutes bad publicity for the region as a whole. That image has a negative effect on the highly volatile preferences of the tourists, especially sensitive to public security concerns. Second, the violence indirectly generated by illegal drugs inhibits the spreading of the positive effects of tourism to local merchants by encouraging “all-inclusive tourism” in which only the foreign firms and the local workers directly employed in these resorts benefit from tourism and not the adjacent services and industries. In the construction sector that is often used for money laundering purposes a limited but positive effect for the construction firms appears to be evident. But this laundering does not seem to result in a general increase in the price of real estate in the region.

82. The most important consequence of illicit drug trade in the Caribbean comes from the disincentive to business entrepreneurship. Facing high returns for investment in drug trade, the opportunity costs of legal entrepreneurship, with more limited, long run profits are disadvantaged. From this perspective, the opportunity costs of human capital investment are very high for the young people, especially those who are living in a poor neighbourhood where the wealth effects of drug trafficking are clearly visible. As a consequence, in many poor areas of the region, children and young

people who have the dream of escaping poverty do not see education and entrepreneurship as a major avenue in their upward mobility career, (those elements being the main catalysts for endogenous development of Caribbean societies), but as a mere loss of a time that would be more profitably spent in drug business in the short run.