



Intelligence Report

DCI Crime and Narcotics Center

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Globalization of the Cocaine Trade

Law enforcement successes against South American drug enterprises and a stable or declining market for cocaine in the United States—historically the world's largest—have produced a more diverse illicit drug industry that serves a growing array of consumers around the globe, especially in Europe. Traffickers from many nations increasingly are collaborating in the purchase, transport, and distribution of coca derivatives, and in the process eschewing traditional preferences for criminal partnerships with single-ethnic groups.

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The growing cocaine trade outside the United States provides buyer competition that tends to stabilize US consumer prices—this despite large increases in Colombian cocaine production over the past two years—thus making the drug less affordable to some US users.

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Drivers of the Globalization Trend

The increasingly broad geographic scope of cocaine trafficking appears driven by a convergence of factors, including successful counterdrug operations in South America, changes in markets for cocaine, and the expanded reach of Russian-speaking organized crime. These trends are fundamentally altering the character of the cocaine trade in often unpredictable ways.

Impact of Antidrug Successes. The dismantlement of the Medellin cartel in 1993 and the arrests of most top leaders of the Cali mafia in 1995 and 1996 have opened the Colombian cocaine trade to independent trafficking groups and made it more accessible to foreign buyers. The result is a proliferation of the independent organizations, who in the past would have sought lucrative and secure relationships with a major trafficking patron but now are free to negotiate their own deals,

[redacted] Formerly dependent traffickers [redacted]

[redacted] have become large international sellers or transporters of cocaine. Many independent groups have increased operations in non-US market for drugs, where prices are higher and risks of facing US-style justice are comparatively low.

Successful US-backed efforts in Peru and Colombia to target drug flights have also contributed substantially to a more decentralized, global cocaine trade.

[redacted] By disrupting Colombian access to a reliable supply of Peruvian cocaine base, Colombian traffickers were forced to encourage greater coca cultivation and processing closer to home.

Growing Colombian self-sufficiency has affected the export patterns for coca derivatives from both Peru and neighboring Bolivia. Traffickers in both countries, faced with declining Colombian purchases, were forced to expand exports,

[redacted]

This report was prepared by analysts of the Assessments Group, DCI Crime and Narcotics Center (CNC). Comments and queries are welcome and may be directed to the

[redacted]

Bolivian exports through Brazil and the Southern Cone countries have helped spur greater demand for cocaine there, which over time has become large enough to absorb a large portion of the dwindling Bolivian cocaine supply. Increased drug flows through transit countries often have resulted in greater consumption in those places,

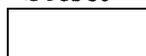
[redacted] A likely reason is the habit of many traffickers of paying locally-hired help in narcotics rather than cash. Traffickers appear to prefer such a practice because they do not have to advance or launder the cash needed to cover local payroll expenses and because drugs are worth more to the foreign employees than cost the traffickers to procure at the source. Local employees paid in drugs—who often lack the contacts and sophistication to sell them abroad—are forced to develop local markets to liquidate such payments into cash.

[redacted]

[redacted]

[redacted] the official US estimate of Colombia's potential cocaine production from its domestic crop will increase substantially from the 1998 estimate of 165 metric tons.

[redacted]



Expanding Consumer Markets. The changing destination for cocaine movements is being driven by fluid consumption patterns. After substantial growth in the 1970s and 1980s, the US market in recent years has reached a plateau, according to a variety of indicators. The price and purity of gram- and kilogram-sized quantities of cocaine sold in the United States have been stable in recent years, according to US Drug Enforcement Administration statistics. National Household Survey data moreover shows that the number of cocaine users has remained relatively stable since 1992, ranging from 1.4 to 1.8 million users—down from a peak of 5.7 million users in 1985. 

Average US Street-Level Price for a Kilogram of Cocaine Hydrochloride

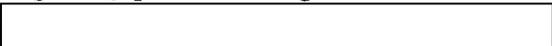
	1995	1996	1997	1998
Low Average	\$10,500	\$10,500	\$10,000	\$10,000
High Average	\$40,000	\$36,000	\$42,000	\$36,000

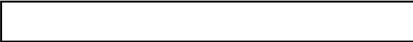
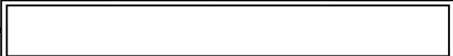
Average Purity for US Sold Cocaine (Expressed in Percentage)

	1995	1996	1997	1998
Kilogram	83	82	80	81
Ounce	65	67	64	67
Gram	61	61	64	66

Source: US Drug Enforcement Administration, the Supply of Illicit Drugs to the United States, 1999 (in draft).

The preceding tables are 

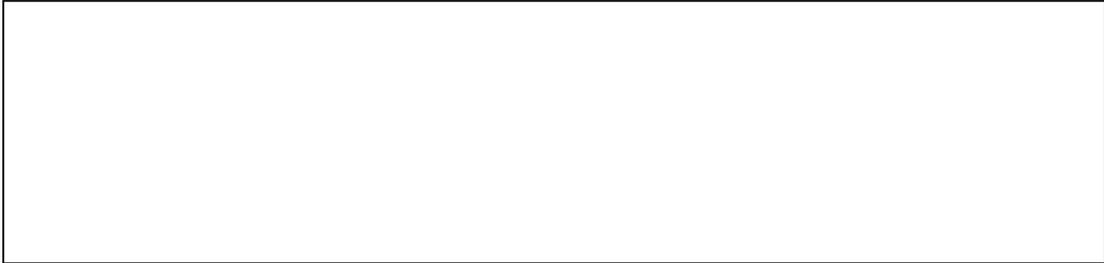
Outside the United States, however, cocaine consumption appears to have increased. This trend reflects greater disposable income among many potential drug consumers and increased social tolerance in some countries. 

 It also suggests a reluctance of many abusers to consume alternative drugs that need to be injected intravenously, risk unpleasant “highs,” or produce unwanted physiological or psychological side effects. The rise in cocaine demand outside the US has pushed prices higher there and made trafficking in the drug more profitable. 



Per Kilogram Price for Cocaine Sold in Quantity at Various Ports of Entry

<i>Southern Florida</i>	\$12,000-15,000
<i>California at Mexico Border</i>	\$8,000-14,000
<i>Northern Mexico</i>	\$7,500-8,000
<i>Spain</i>	\$17,000-32,000*
<i>The Netherlands</i>	\$22,000-23,000

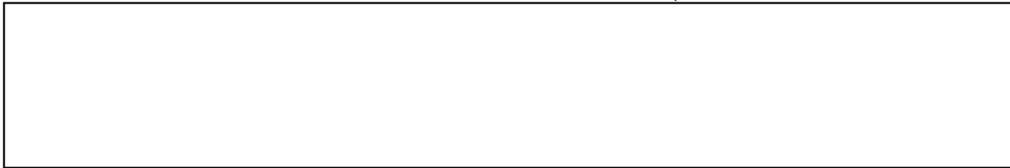


Cocaine Consumption Increasing in Europe (U)

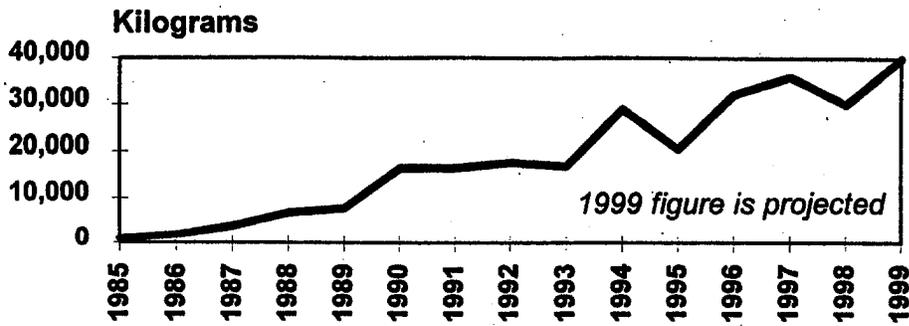
The most important change in demand trends has been in Europe. While there are few reliable statistics on continent-wide drug use, several countries individually report an increase in the number of cocaine abusers. Most European officials believe that the amount of cocaine consumed there ranges between 100 and 200 metric tons, putting collective European consumption a close second behind that of the United States.¹ Cocaine prices in Europe generally are higher than those in the United States,



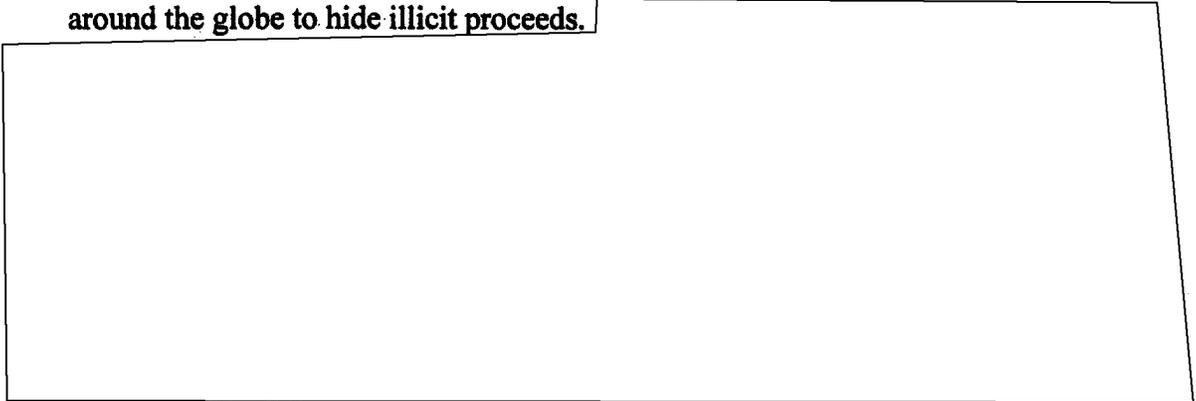
- Seizures reflect the traffickers' growing desire to tap into the lucrative European market.



Cocaine Seizures in Europe (U)



Growing Role of International Organized Crime.² The expanded reach of international organized crime—a byproduct of a more globally-integrated economy, the collapse of the Soviet Union, the subsequent social and political upheaval in the former Communist Bloc—has contributed greatly to a globalized cocaine trade. Organized crime syndicates are the natural allies of drug traffickers: they maintain highly secretive networks dedicated to illegal activities, cultivate and maintain stables of corrupt officials, raise significant sums of capital with which they can easily afford major drug purchases, and employ highly developed mechanisms to move funds around the globe to hide illicit proceeds.



² The term “organized crime” encompasses any group, association, or other body, whether formally or informally organized, that undertakes illegal activity for financial gain. This includes both groups with centrally controlled hierarchies and those made up of fluid and often changing alliances or networks of individuals engaged in criminal activity. (U)



Expanding Legitimate Trade and Commerce. The increased volume of trade between countries has provided traffickers greater opportunities to commingle licit and illicit cargoes and has severely strained the ability of foreign customs officials to inspect even a modest percentage of goods shipped,

Particularly important to the expansion of cocaine trafficking has been the economic and political integration of Europe, where many countries no longer require customs or immigration checks for travelers who originated in other European countries.³ Moreover, expanded trade ties appear to have made some governments more reluctant to institute aggressive customs checks—absent specific intelligence about drug loads—out of fear of provoking retaliatory delays in their own country's lucrative exports.

The Trafficker Melting Pot

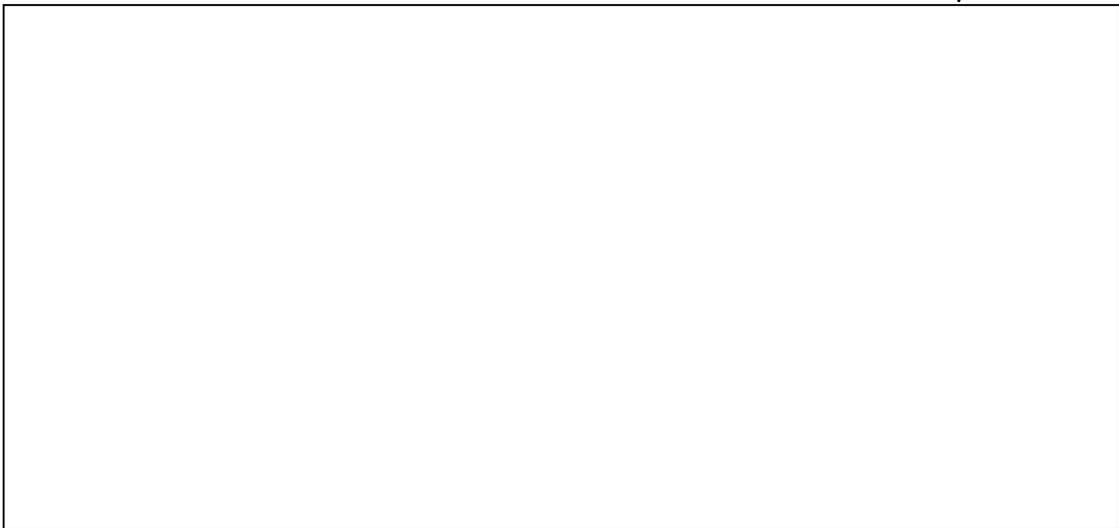
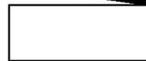
Law enforcement successes, shifting markets, and the involvement of powerful criminal forces from outside Latin America have broken the Colombian cartels' earlier dominance of cocaine trafficking. Colombians today still play a central role in international drug trafficking, but the way has been opened for criminal syndicates from other countries, both within Latin America and elsewhere, to assume a broad role in the trade.

Non-Colombian Latin American Trafficking

The waning dominance of major Colombian groups has coincided with the gradual rise in power of trafficking organizations and has encouraged the growing independence of traffickers from other parts of Latin America.

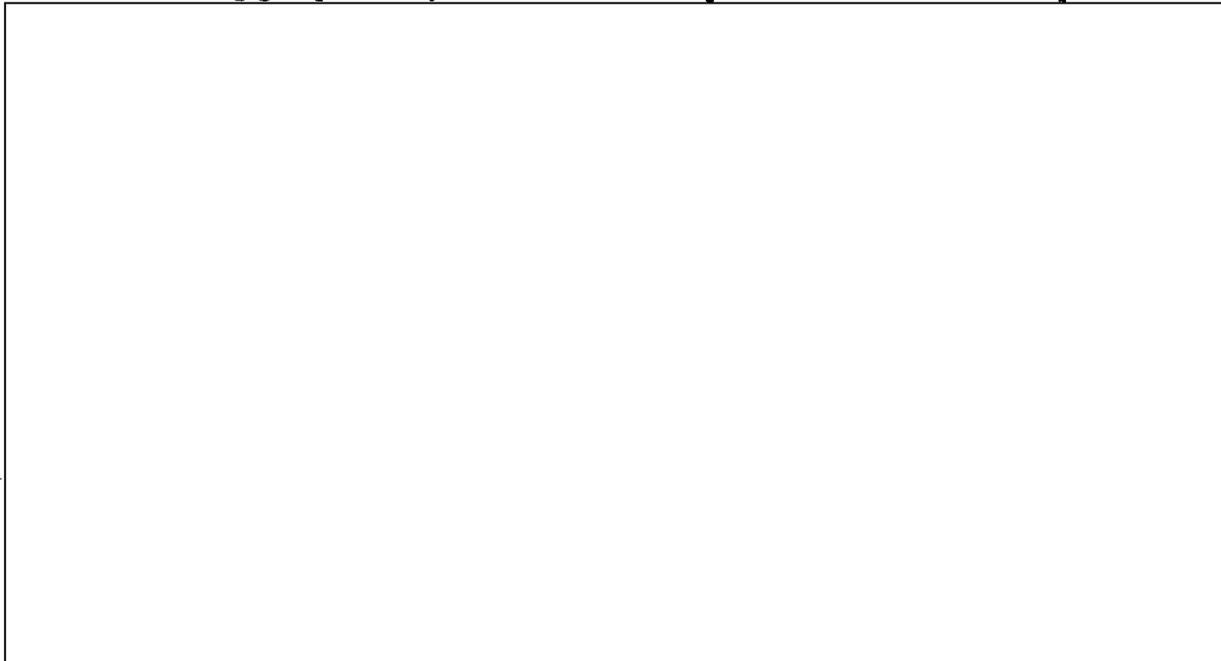


³ The Schengen Accord, created in 1985 and implemented by all original signatories between 1995 and late 1997, abolished internal border controls, allowing persons and goods to travel freely once they have entered any member state of the European Union, except the United Kingdom and Ireland. Two non-EU countries, Norway and Iceland, are Schengen group members, and several other European countries are considering joining. (U)



[redacted] traffickers have expanded their exports of finished cocaine to Brazil, Europe, Mexico, and the United States, and at least a few small groups in [redacted] are trying to duplicate the Colombians' success in producing heroin for the US market, [redacted] Since most [redacted] [redacted] groups lack the infrastructure and networks to promote drug sales abroad, many appear to rely on buyers or brokers willing to come to them. Others seek the help of independent Colombian traffickers in making and financing direct connections with buyers. Time and experience, however, are likely to lead more [redacted] groups to expand their overseas presence, similar to that of the Colombians. [redacted]

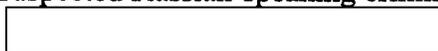
Some trafficking groups already have established important overseas relationships.



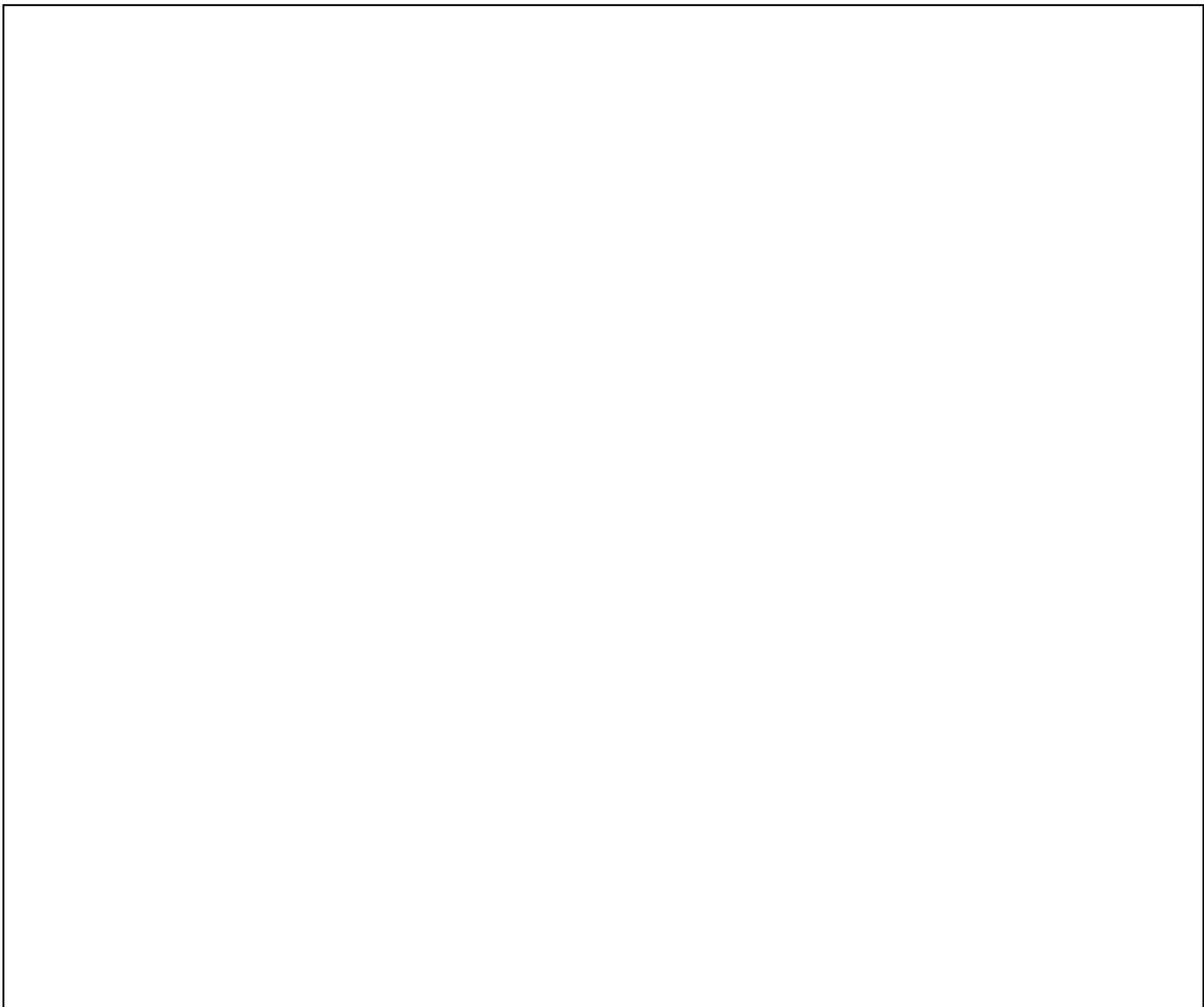


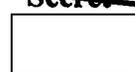
Cocaine Groups From Outside Latin America (U)

International criminal syndicates from outside Latin America have expanded involvement in the global cocaine trade, exploiting their presence in and knowledge of emerging consumer markets in Europe and elsewhere. 

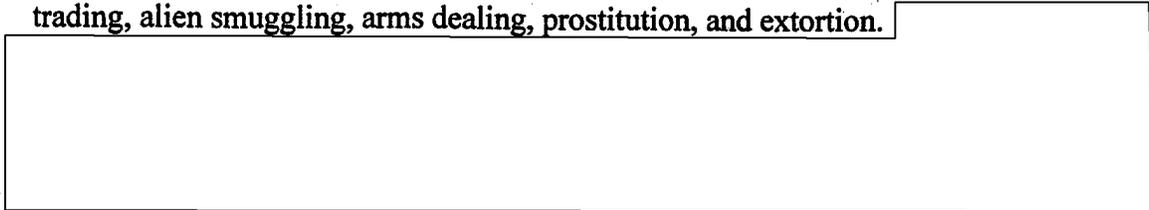
Russian-speaking criminals play a role in arranging cocaine shipments to Central and Eastern Europe.  Russian criminals are active in Argentina, Belize, Colombia, Ecuador, Panama, and probably other countries. Colombian police chief Rosso Jose Serrano has claimed publicly that Russian-speaking criminals dominate much of the European-bound cocaine trade; he cites extensive telephone contacts between suspected Russian-speaking criminals in Colombia with their colleagues back home. 

 there is little doubt that Russian-speaking criminals are involved in cocaine movements.





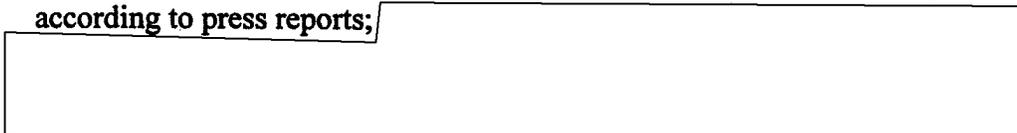
Asian organized crime syndicates with tentacles in South America also appear to be trafficking in cocaine, in addition to other criminal activities that include heroin trading, alien smuggling, arms dealing, prostitution, and extortion.



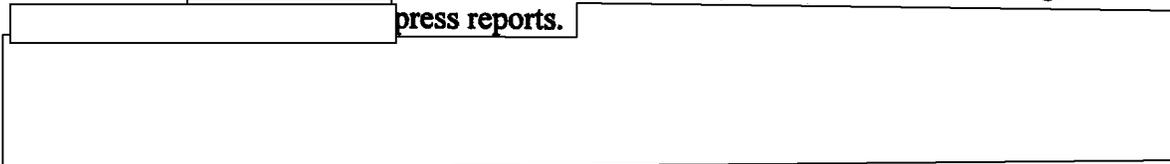
- Venezuelan authorities arrested several employees of an ethnic Chinese crime syndicate and seized 140 kilograms of cocaine earlier in 1999, according to local press reports.



- Brazilian officials also arrested ethnic Chinese trafficker Jose Luis Ye Xu for smuggling 47 kilograms of cocaine to Madrid in October 1995, according to press reports;

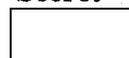


Nigerian and other *African* syndicates are increasingly active in cocaine trading, according to press reports.



- Unlike many other international trafficking groups, Nigerian syndicates typically move cocaine using "armies" of couriers, many of whom ingest packets of drugs before boarding commercial airliners, according to press reports.
- The syndicates also have access to ample supplies of heroin, mostly from southeast Asia. The recent rise in heroin consumption in Brazil reported by public health officials suggests the possibility of a two-way drug trade involving South America.





Increased Ties Between Groups (U)

Many trafficking groups, out of necessity or greed, appear to be relying less on the exclusive collaboration from members of their own ethnic or family groups and are working together with groups from different countries. Italian anti-mafia prosecutor Piero Luigi recently said that criminals from Russia, Albania, Montenegro, China, Poland, Latin America, Kosovo, and Albania were merging efforts to conduct large-scale trafficking activities.



Antidrug Challenges and Opportunities (U)

Expanded global markets for Latin America's cocaine and the decentralization of the drug trade paradoxically make the industry as a whole more impervious to disruption, while increasing the vulnerability of individual groups. Today's cocaine traffickers must cope with the greater distances involved in reaching transatlantic markets, the increased need for long-range communications to coordinate transoceanic deals, added language barriers, and the need to trust collaborators from outside their own extended families or ethnic circle. Changes in consumption patterns, moreover, are forcing several countries to take a tougher line toward narcocriminals, increasing the prospect that many ultimately will face justice. To add to the traffickers' woes, the growing competition for international business increases the chance that aspiring smugglers will inform on more-established rivals to help clear the way to build their own fortunes.

While the risks for individual groups may be high, the increasingly diverse cocaine industry is likely to become less vulnerable to disruption. The expansion of consumer markets and the greater number of foreign groups involved provides Andean traffickers and their allies abroad more options when interdiction forces block a chosen route. International collaboration, moreover, helps criminals meet shifting consumer demands by allowing them to swap products; traffickers from Latin America, for instance, could trade cocaine, which sells for a premium east of the Atlantic, for heroin produced by southwest Asian or European traffickers that would carry a higher value in North America. Such deals would reduce the problems of moving cash to cover drug transactions and allow both parties to maximize their profits and manage their risks.

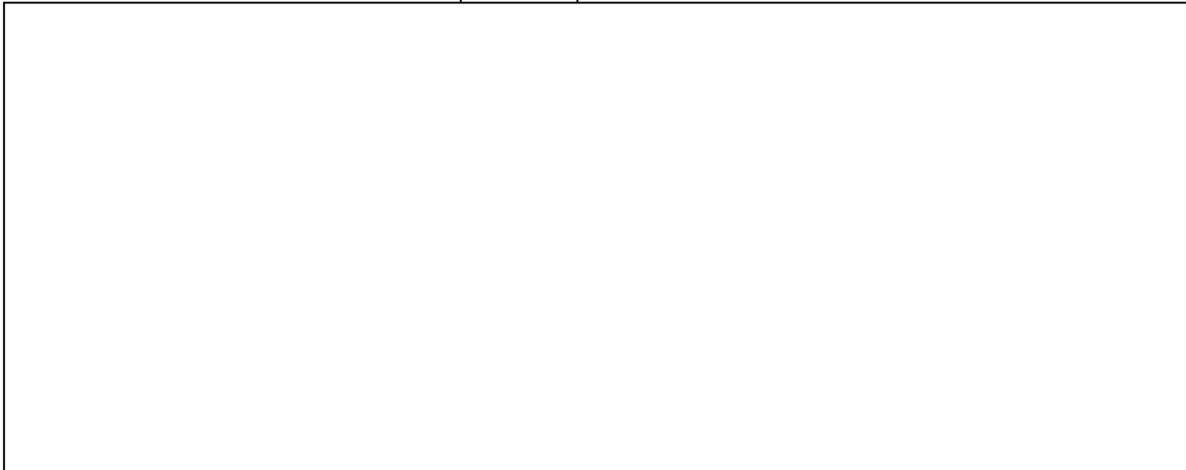


The growing territorial scope of the cocaine trade will challenge antidrug forces in important new ways. Nations are protective of sovereignty and slow to respond with new laws or expanded capabilities in the face of changing drug movement patterns; traffickers are typically more flexible in their operations and more willing to cross national boundaries. Traffickers likewise have demonstrated little problem in working cooperatively with foreign groups when necessary, but governments most often require diplomatic agreements or standing associations with multinational organizations before sharing their information, expertise, or antidrug resources. While criminals care almost exclusively about bottom lines, governments must balance their desire to expand counternarcotics bilateral or international cooperation with a host of competing political and economic interests that may be in conflict. 

Implications for the United States (U)

The broad scope of cocaine trafficking is affecting a wide range of US policy interests. Increased consumption and trafficking of the drug outside the United States are likely to boost the willingness of many affected countries to cooperate with Washington on antidrug initiatives. However, the increase in cocaine use by populations of developing countries also is likely to spur renewed demands and competition for US counternarcotics assistance. New demands for aid are likely to rise from the countries that sit astride transportation routes for cocaine bound for the European or other developing markets. The smaller and less strong of these countries, moreover, will become more vulnerable to the corruptive power of traffickers.

- Fearing an increase in health, crime, and even national security problems, not all countries will see the need for a tough counterdrug approach. Some Caribbean and European states are likely to favor more permissive policies—similar to those adopted by the Netherlands—aimed at reducing the societal and economic harm of personal drug use. 





Competition for cocaine from markets outside the United States probably will have some positive impact on constraining potential US cocaine availability amid a major expansion in Colombian cocaine production by making the drug less affordable to American consumers. While production appears sufficiently robust to meet basic demand in all markets, competition from foreign purchases could help keep cocaine above the price at which some US consumers will choose it over other alternatives, such as marijuana.

