

**A REVIEW OF GLOBAL AND REGIONAL TRENDS LIKELY  
TO IMPACT CRIME IN THE DUTCH CARIBBEAN**

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## EXECUTIVE SUMMARY

This report was commissioned by the Recherche Samenwerkingsteam (RST), a Dutch law enforcement agency based in Curaçao. The RST, which is funded by the Ministry of Kingdom Affairs in the Netherlands, has jurisdiction throughout the Dutch Caribbean. The primary focus of the report is on the major global and regional trends that are currently impacting, or may impact, crime in the six islands comprising the Dutch Caribbean: Aruba, Bonaire, Curaçao, Saba, Sint Eustasius, and Sint Maarten. Thinking carefully about these global and regional trends can help the RST forecast its workload, anticipate its resource needs, train its workforce, develop or adapt its policies, and allocate its personnel strategically. The report is intended to provide a “big picture” perspective on crime and violence in the Caribbean region. It is not meant to provide an encyclopedic perspective on any specific topic. Listed below are some of the key points covered in the report.

- The Caribbean region suffers from a variety of *economic and social issues* that make it vulnerable to crime and victimization. For example, a narrow economic base that is centered largely on tourism leaves the region particularly exposed to economic instability. Significant emigration of the skilled labor market to wealthier nations is harmful to the region’s social structures, and weaknesses in the education sector place make it difficult for youth to reach their full potential.
- *Money laundering* is a serious problem in the Caribbean. Limitations in regulatory and law enforcement capacity for preventing and otherwise addressing financial crimes create vulnerabilities that are easily exploited by criminals seeking to launder funds obtained illegally. The problem is further exacerbated by the fact that several Caribbean islands serve as offshore financial centers that attract both legitimate and illegitimate clients. These offshore financial centers provide opportunities not only for money laundering, but also terrorist financing and other illicit transactions. Other features of the Caribbean region, including its geographic layout, its gambling and gaming enterprises, and its free trade zones, create vulnerabilities that facilitate money laundering.
- *Drug trafficking* is a serious problem in the Caribbean given the region’s location between major source countries in South America and major destination countries in North America and Western Europe. Law enforcement pressure on trafficking routes in Central America and Mexico has led the cartels to re-establish trafficking routes through the Caribbean over the past year. As a result, Caribbean police can expect increased workload associated with drug trafficking.
- Little is known about *gun trafficking* in the Caribbean relative to other types of crime. Guns come into the Caribbean from points north and south, with the U.S. serving as a major

supplier of guns in Caribbean black markets. Escalating levels of gun violence in the region reinforce the importance of developing evidence-based strategies for addressing gun trafficking.

- *Human trafficking*, including both sex trafficking and labor trafficking, is problematic in certain parts of the Caribbean. Some Caribbean nations serve variously as source, transit, and destination locations for trafficking. Some victims are trafficked in from within the Caribbean, particularly the Dominican Republic. Others are trafficked into the region from other source nations, particularly Colombia and Venezuela. While the trafficking problem in the region is serious and clearly worthy of attention, it has not yet reached the levels experienced by other regions in the world, including Africa, Asia, and the Middle East. Anti-trafficking capacity and commitment varies widely across the region.
- *Terrorism* has not traditionally been a major issue in the Caribbean. The region is not home to any state sponsors of terrorism. There are some general concerns about individuals and groups in the Caribbean linking up with drug traffickers or established terrorist groups, particularly as a means for gaining access to potential targets in the U.S. There are also concerns about terrorist financing from within the Caribbean.
- *Political corruption* is an entrenched problem throughout most of the Caribbean. Corrupt officials facilitate illicit transactions that make it possible for the drug trade and other criminal enterprises to prosper. In the small island states throughout the Caribbean, longstanding relationships between criminals and politicians have become woven into the very fabric of society. Residents in Caribbean countries perceive widespread corruption involving judges, the justice system, and politicians, yet they feel powerless to do much about it. Corruption detracts from stability and quality of life in the Caribbean in numerous ways. It undermines the rule of law, thus creating a vicious circle of tolerance for crime. It also remains a serious obstacle to economic development in the region.
- *Gang violence* is one of the most serious problems facing the Caribbean because it has resulted in significant morbidity and mortality and contributed to an atmosphere of fear for so many residents. Moreover, with gang culture continuing to gain traction throughout the Caribbean, the problem is likely to get worse before it gets better. The capacity of most nations in the Caribbean to address gang violence is severely limited. Developing comprehensive, evidence-based solutions to gang violence in the Caribbean is crucial.

The sheer volume of crime in the Dutch Caribbean represents a significant challenge for the RST. With limited resources, the agency simply cannot take on all of these issues. Thus it is necessary for the RST to make strategic choices about how to select its principal areas of focus and

how to approach its work. This report has outlined some of the trends and patterns in the Caribbean that may be useful in making these choices. Making the right choices can help contribute to a more vibrant future for the Dutch Caribbean islands, including its newly independent states.

## INTRODUCTION

This report was commissioned by the Recherche Samenwerkingsteam (RST), a Dutch law enforcement agency based in Curaçao. The RST is funded by the Ministry of Kingdom Affairs in the Netherlands, with jurisdiction throughout the Dutch Caribbean. Its primary focus is combating international organized crime. This report examines some of the major global and regional trends that are currently impacting, or may impact, crime on the six islands comprising the Dutch Caribbean: Aruba, Bonaire, Curaçao, Saba, Sint Eustasius, and Sint Maarten. Thinking carefully about these global and regional crime trends can aid the RST's strategic planning efforts, including forecasting its workload, anticipating its resource needs, training its workforce, and allocating its personnel strategically. The report is intended to provide a "big picture" perspective on crime and violence in the Caribbean region. It is not meant to provide an encyclopedic perspective on any specific topic.

The RST is a general purpose investigative agency, but the protocol authorizing the agency mentions six primary areas of focus: money laundering, drug trafficking, arms trafficking, human trafficking, terrorism, and international corruption. This is not the appropriate forum for questioning whether these six areas *ought* to constitute the main focus of the RST, nor is this the place to debate what proportion of the RST's resources and investigative effort ought to be devoted to each of these six areas. At the same time, the information contained in this report may be useful for reflecting on both of these issues. The islands of the Dutch Caribbean do not exist in isolation. They are part of a larger region whose histories, structures, cultures, languages, and other characteristics exert a potent influence on every nation and territory in the region. Thinking carefully about patterns and trends in the region in which these islands are located provides a useful reminder of the many influences that shape the Dutch Caribbean, and thus the work of the RST.

The report is organized into three main sections. Part I provides a brief overview of social and economic issues in the Caribbean. Part II, focuses on the main substantive issues motivating this report. It is broken into seven subsections: money laundering, drug trafficking, gun trafficking, human trafficking, terrorism, international corruption, and other issues. The final section, Part III, discusses the implications of this report for the strategic future of the RST. This section purposely stops short of making specific strategic recommendations. The goal of the report is not to recommend a specific set of policies or practices or to change people's minds about these issues. Instead, the goal is primarily educational. Greater awareness of global and regional crime trends can help provide a broader perspective that informs discussions and policy debates about how best to address crime and security issues in the Dutch Caribbean.

## PART 1: ECONOMIC AND SOCIAL ISSUES

The Caribbean region can be characterized by a number of economic and social issues that render it more vulnerable to crime and victimization. In this section I review a handful of these risk factors, focusing primarily on three general categories: the economy (including tourism), emigration, and education. This is *not* intended to be an exhaustive listing of all the socioeconomic vulnerabilities

in the region. Later in the report I will touch briefly on some other influential issues like culture, geography, and politics.

### **A. Economic Health**

Caribbean economies are often described by economists as fragile, volatile, and vulnerable to external shocks. With few exceptions, Caribbean nations tend to have small populations, few natural resources, a narrow economic base, chronic unemployment and underemployment, and persistent poverty and inequality.<sup>1</sup> Unemployment among young people aged 15 to 29 is especially pervasive, with estimates suggesting that unemployment in this age-range “is double to quadruple that of adults in the region.”<sup>2</sup> Unfortunately, valid and current data on issues like poverty, inequality, and unemployment in the Caribbean are generally unavailable, thus making it difficult to track and compare recent changes in these phenomena over time with specificity. The Caribbean Development Bank has provided funding to several Caribbean nations to conduct comprehensive “Country Poverty Assessments.” While these reports are very helpful for understanding the nature and sources of poverty and inequality within individual nations, they do not allow for a rigorous analysis of regional patterns and trends. However, more general indicators of economic health are widely available throughout the region.

There are good reasons to be concerned about economic health in the Caribbean as the region continues to struggle with the lingering effects of the global financial crisis. At the same time, economic activities in the region improved in 2013, with average economic growth rates of 1.7% in 2012 and 2.4% in 2013. Most economies in the region reported improvements in real gross domestic product (GDP) for 2013, but “the tourist dependent economies are very cautious in taking this as a confirmed sign of economic stability.” Wide variation in economic performance meant that some economies did very well, while others struggled in 2013. Unemployment figures are not available for many of the Caribbean economies, but the available data suggest that unemployment rates remain high due to the slow growth in most of the economies in the region.<sup>3</sup> In December 2013, a report on Caribbean economic performance concluded that “economic growth in the Caribbean has not been impressive thus far in 2013.”

The tourist industry represents a central aspect of many Caribbean economies. Beverly Nicholson-Doty, who serves as the Chair of the Caribbean Tourism Organization, emphasizes the vital role of tourism on the region: “Without a strong tourism product and infrastructure, much of life in the Caribbean as we know it would be dramatically altered. This is as true for individuals, households and communities as it is for governments and agencies, travel enterprises, hotels and hospitality partners.”<sup>4</sup> The global financial crisis resulted in significant reductions in tourism throughout the region starting in 2008. In spite of the reduced tourism and its associated revenues and opportunities, by early 2013, Nicholson-Doty noted that tourism in the region had begun to rally. At the same time, she acknowledged that “amidst these positive signs is the stark reality that some of our member countries are still hard pressed to recover, particularly those that rely heavily on the British market...” Cruise ship tourism also remained flat, with decreases in the southern Caribbean offset by increases in the northern Caribbean. Though there was wide variation in the

recovery of the tourism sector within the region, the Caribbean Community (CARICOM) countries experienced an overall 1.9% increase in tourism in 2012.<sup>5</sup>

By early 2014, Nicholson-Doty was somewhat more optimistic about the level of tourism, noting in her annual report that “The state of the Caribbean’s tourism industry is solid, with positive signs that a recovery is in progress.” She based this assessment on a number of indicators, including overall arrivals and average tourist spending. At the same time, she acknowledged that tourism in the region continued to be influenced by the weak economic conditions in key “source markets.” Economic performance data suggest that while the world experienced a hearty 5.3% growth in “tourist arrivals” in 2013, the growth in the Caribbean lagged behind at only 0.1%.<sup>6</sup> It is worth noting that some Dutch Caribbean islands outperformed the wider Caribbean on certain indicators, with significant increases in tourism in 2013. For instance, while some countries saw decreases in cruise ship passenger traffic, Curaçao experienced a 45% increase in 2013.<sup>7</sup> Aruba’s GDP grew by 3.9% in 2013, following a 1.2% decrease in 2012. According to one report, a key explanation for Aruba’s increase in real GDP for 2013 “was the strong growth in Aruba’s tourism demand,” which was due largely to tourists from Venezuela and the United States.<sup>8</sup> Because the economic health of the Caribbean is directly related to the strength of the tourism sector, these signs of growth provide room for optimism.

## **B. Emigration**

A key global social issue today is the emigration of skilled labor to other nations, a phenomenon known as the “brain drain.” The emigration typically flows from south to north or from developing to developed nations. The biggest concern is that the emigration of educated or skilled workers may end up “depriving developing countries of one of their scarcest resources, human capital.”<sup>9</sup> Indeed, the number of skilled migrants has increased dramatically in recent decades. In some Caribbean nations, more than half of university-educated citizens live abroad.<sup>10</sup>

Economists believe that some emigration of workers can produce economic and social benefits for developing nations, but that too much emigration is harmful.<sup>11</sup> Researchers have paid particular attention to the effect of the brain drain on the medical professions in source countries because so many nurses and physicians leave their home countries to practice elsewhere. In one study, eight of the 31 nations in the world deemed to be most affected by the medical brain drain were located in the Caribbean (Belize, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St. Kitts and Nevis, and St. Lucia).<sup>12</sup> An often-quoted (but now dated) statistic emphasizes this point very clearly: Jamaica has to train five doctors to retain only one.<sup>13</sup> In addition, estimates suggest that two-thirds of Jamaica’s nurses have emigrated, resulting in high vacancy rates for nurses within the country.<sup>14</sup> More generally, researchers have found that the Caribbean region ranks highest in the world in terms of the proportion of its labor force that has immigrated abroad to OECD member countries.<sup>15</sup>

With many of its most promising young people leaving to pursue their dreams and build their lives abroad, the Caribbean region struggles to achieve its full human capital potential. In some Caribbean nations, more than 70% of the labor force with at least 12 years of education has

emigrated abroad.<sup>16</sup> Just as widespread imprisonment policies have been shown to radically alter the social structure of disadvantaged communities,<sup>17</sup> the massive outmigration of skilled and educated people from the Caribbean has a dramatic influence on social structure and population composition of these small nations. Crime is likely to have a circular relationship with emigration. As violence and fear increase, people's desire to leave the region increases along with it.<sup>18</sup> At the same time, as more skilled and educated people leave the region, the proportion of unskilled and uneducated people left behind increases and the number of positive role models for youth decreases. Left unchecked, this vicious circle will continue to generate social costs for the Caribbean.

### **C. Education**

The education sector in the Caribbean can be characterized as a mix of good news and bad news. On the one hand, most countries in the Caribbean provide universal primary and secondary education to their citizens. Over the past 50 years, the average number of years of education among adults in the Caribbean has risen dramatically from 4.3 to 10.3. On the other hand, there is significant cause for concern about the *quality* of education in the region. Average pass rates for standardized tests in the region are less than 50 percent, and many students “lack basic skills in information and communication technology and other disciplines deemed critical for success in the work place.”<sup>19</sup> Analysts are particularly concerned about poor student performance on standardized test items “that require critical thinking, analysis or communication.”<sup>20</sup> There is also a shortage of qualified teachers in the region, particularly at the secondary and tertiary levels. In addition to concerns about the quality of education, numerous analysts have raised concerns about the limited enrollment in post-secondary (or tertiary) education. For instance, data from the Caribbean show that less than 15 percent of secondary school graduates attend post-secondary education.<sup>21</sup> Weaknesses in the education sector make it difficult for youth in the Caribbean to reach their full potential.

## **PART 2: CRIME AND PUBLIC SAFETY ISSUES**

This section addresses seven categories of substantive crime and public safety issues: money laundering, drug trafficking, gun trafficking, human trafficking, terrorism, international corruption, and other issues. Though each area is treated as separate, in reality they overlap in many important ways. For instance, corruption enables drug trafficking to occur, and proceeds from the illegal sale of drugs must then be laundered. This is just one of the many ways that these different categories of crime overlap in practice.

### **A. Money Laundering**

Money laundering involves concealing or disguising the origin of illegally obtained funds. The purpose of money laundering is to allow offenders to access the proceeds of crime without the government or other entities becoming aware that the funds were obtained illegally. Money laundering techniques range from simple to complex, from ancient methods that have survived the test of time to modern techniques made possible through the use of newly emerging technologies.

To counter money-laundering effectively, governments and law enforcement agencies must develop expertise in the diversity of methods used by criminals and build adaptive systems capable of preventing and detecting these methods. This is difficult in an era in which global financial markets and technological advances provide a regular stream of opportunities for inventive criminals to create new methods for laundering illicit funds. It is especially difficult in the Caribbean, where inadequate resources and limited state capacity often stand in the way of more effective prevention and enforcement efforts. As a result, eight Caribbean island nations (or territories) are listed on the U.S. State Department's 2014 list of "major money laundering countries": Antigua and Barbuda, Bahamas, British Virgin Islands, Cayman Islands, Curaçao, Dominican Republic, Haiti, and St. Maarten.<sup>22</sup> This list is reserved for nations or territories whose financial institutions are thought to "engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking."<sup>23</sup>

Money laundering is typically conceptualized as occurring in three stages: placement, layering, and integration. *Placement* involves introducing illegally obtained funds into the financial system. This can be accomplished in many ways, including gambling, bribing employees of financial institutions, mixing legitimate and illegitimate funds, or dividing deposits into smaller amounts (a process known as "smurfing" or "structuring") to fall below reporting thresholds. *Layering* involves concealing or disguising the origin of the illicit funds, often by moving funds across different accounts, international borders, or shell corporations. The more transactions that occur during the layering process, the more difficult it is for regulatory agencies to follow the money trail. *Integration* involves returning the funds to the launderer through a seemingly legitimate transaction or set of transactions.<sup>24</sup> This may include using the laundered funds to purchase goods or property or to make legitimate financial investments.

Money-laundering in the Caribbean takes many forms. For laundering the proceeds of drug trafficking, the U.S. Drug Enforcement Administration notes that "bulk currency smuggling through the Caribbean is the primary method for returning illicit proceeds to the source zones. Traffickers conceal bulk cash in parcels, luggage, and via courier...Traffickers also launder illicit proceeds in order to avoid the risk of moving large amounts of bulk currency. Preferred money laundering methods in the Caribbean include purchasing real estate and other tangible goods like high end vehicles and jewelry, money remitters, structured bank deposits and the black market peso exchange."<sup>25</sup> The black-market peso exchange represents a common method by which Colombian drug cartels convert dollars into goods, and then convert these goods into laundered pesos.<sup>26</sup> The U.S. Treasury refers to it as "the single most effective and extensive money laundering 'system' in the Western hemisphere."<sup>27</sup>

The Caribbean region has certain unique characteristics that shape its money laundering practices. One of the most influential features is simply its geography. In the eastern Caribbean, more than a dozen island microstates with porous borders are located in easy proximity to one another, making it very difficult to stop the illicit flow of money and other goods from one to the other, often by boat. Similarly, some of the southern Caribbean islands are located in close proximity to the South American mainland, including major drug producing nations like Columbia. Moreover,

the Caribbean itself is home to several major drug-producing and drug-transit nations, including the Bahamas, the Dominican Republic, Haiti, Jamaica, and others. Drug trafficking generates massive amounts of cash that need to be laundered, thus creating significant opportunities for money laundering across nations and territories situated within easy reach of one another in the Caribbean region. Moreover, the fact that the different islands in the region are governed by a diverse mix of sovereign and colonial governments creates opportunities for offenders and complex jurisdictional challenges for law enforcement authorities. This is especially prominent for parts of the Caribbean where islands are clustered together near one another and on islands shared by two governments, such as Sint Maarten (Dutch)/St. Martin (French) and Haiti/Dominican Republic.

The Caribbean has also developed a worldwide reputation as an offshore financial haven. Several Caribbean nations and territories are known for their robust offshore financial sector operations, including Anguilla, the British Virgin Islands, the Cayman Islands, and Grenada, among others. These offshore financial centers provide a number of legitimate services, including private investment management, asset protection, tax and estate planning, banking, and corporate registration. Offshore financial centers may provide investors with certain tax benefits and protect assets from a variety of risks in the investor's home country. At the same time, the offshore financial sector in the Caribbean has also led to major concerns about money laundering. Several features of the offshore financial sector make it vulnerable to money laundering, including excessive secrecy provisions, weak compliance with reporting standards for suspicious transactions, insufficient legal requirements for business registrations, and obstacles to international cooperation with money laundering investigations by judicial and administrative authorities.<sup>28</sup> As Caribbean nations continue seeking to diversify their economies, their leaders are likely to continue viewing offshore financial centers as viable opportunities for economic growth.<sup>29</sup> As the offshore financial sector expands, so too will the opportunities for criminals to exploit its vulnerabilities.

The sheer scope of some of these offshore financial centers is astounding. For instance, as of March 2014, the British Virgin Islands (BVI) had more than 482,000 registered businesses, approximately seventeen businesses for every resident.<sup>30</sup> While offshore financial centers are often viewed as individual and corporate tax havens, they also play a complex and poorly understood role in the flow of global capital more generally. For example, in 2009, with a population of less than 30,000, the BVI was the world's second largest source of foreign direct investment in China, which had a population of more than 1.3 billion.<sup>31</sup> The funds also flow in the opposite direction. For instance, when Chinese businesses want to conceal assets, evade taxes, or access foreign capital markets, they sometimes route the assets through the Caribbean, primarily through offshore financial centers like the British Virgin Islands or the Cayman Islands.<sup>32</sup> I mention China merely as an example of a larger pattern in which significant amounts of money are routed globally through offshore financial centers from many sources to many destinations. Much of the money passing through these intermediaries is legal, but they are also exploited for illegal purposes. For instance, one expert notes that "offshore banking and corporate registries are the lifeblood of drug trafficking organizations."<sup>33</sup> Though there is no concrete evidence to suggest linkages between offshore

financial centers in the Caribbean and terrorist financing, such a connection appears plausible and worthy of attention from law enforcement agencies in the region.

Latin America and the Caribbean are also home to a number of Free Trade Zones (FTZs) that create potential money laundering opportunities. FTZs are special economic zones where goods from other nations arrive, are processed or stored, and are then re-exported. They are thought to enhance trade through the use of tax benefits and streamlined administrative and oversight procedures. FTZs serve as a mechanism for reducing trade barriers between nations. They are typically located near ports of entry, whether by air, land, or sea. While many FTZs were set up primarily to facilitate exports, some are also designed to facilitate other types of activities like tourism or retail sales. FTZs are thought to engender a number of economic benefits, but some observers have raised concerns that they may also facilitate smuggling and other illicit transactions.<sup>34</sup> For instance, the Financial Action Task Force notes that “the special tax and administrative arrangements available to exporters and export service providers in FTZs, although intended to boost legitimate trade, can create money laundering and terrorist financing vulnerabilities.”<sup>35</sup> FTZs are particularly vulnerable to “trade-based” money laundering, in which launderers use commercial trade in goods as a means of moving money across borders. For instance, criminals can use the proceeds of crime to purchase legal goods in one country and sell them in another. By falsifying invoices, they can move even greater amounts of money. Free-trade zones in the Dutch Caribbean, especially Aruba and Curaçao (given their close proximity to Columbia and Venezuela), may be vulnerable to trade-based money laundering such as the black market peso exchange.<sup>36</sup> Learning more about FTZs and their vulnerabilities in the Caribbean would appear to be a worthwhile effort.

Gambling and gaming are also widespread throughout the Caribbean, including land-based casinos, online gambling, lotteries, and other games of chance. Casinos present remarkable opportunities for money laundering, both by owners and patrons. They are cash-intensive businesses for which regulatory oversight varies widely. Some jurisdictions in the Caribbean provide a strict regulatory environment while others are more lax, whether due to corruption, weak legislation, insufficient resources, or other issues. For instance, casinos are illegal in Trinidad and Tobago, but private members’ clubs are legal and provide casino-like gambling opportunities for patrons. These clubs are only recently being subjected to meaningful regulation.<sup>37</sup> Casinos are widespread throughout the region, though they are illegal in some Caribbean countries. Even those casinos that are well-regulated are still vulnerable to money-laundering due to difficulties in detecting it in an environment with such intensive cash flows. Given the size of the gambling and gaming industry in the Dutch Caribbean, paying careful attention to the possibility of money laundering would appear prudent.

Launderers use a variety of ploys to cleanse their money in casinos. For instance, they may transfer chips from one casino to another (where allowed) to minimize attention to their activities at any one casino. Or they may insert cash into gaming machines and then quickly extract the funds as credits. The conventional money laundering method of making a number of small transactions that fall below threshold reporting requirements (known as structuring or smurfing) can also be applied in a casino environment. In some cases, launderers may treat shift changes by casino employees as

opportunities to cash in their chips or other credits without triggering reporting thresholds. Launderers can also work with accomplices to make “even money” bets, in which they cover both sides of a bet (such as with *and* against the bank in baccarat, red *and* black in roulette, or the pass line *and* don’t pass line in craps).<sup>38</sup> Casinos in well-regulated environments, like Nevada or Great Britain, have monitoring systems in place to detect these types of ploys. Casinos in poorly regulated environments, including some parts of the Caribbean, typically don’t have the capacity or the willingness to put in place such systems, thus making them vulnerable to money laundering by patrons. Because of the cash-intensive nature of casinos, the money laundering opportunities for casino owners in poorly-regulated environments are also significant.

Online gaming operations based in the Caribbean present numerous opportunities for fraud, money laundering, and other forms of illicit activity. Little is known about the extent to which online gaming and other gambling venues like racing, sports-betting, and lotteries are being exploited for money laundering purposes. Online gaming is particularly vulnerable to money laundering for three primary reasons.<sup>39</sup> First, the online gaming environment offers several anonymity advantages for those seeking to obscure their identity or location. It is possible to provide little personal information during online gaming transaction; to use Bitcoin or other digital currencies; to use the TOR network or proxy servers to conceal their location; and to rely on encryption tools to hide their online activities from officials. Second, gaming providers offer a number of options for depositing and withdrawing funds, including digital currency, which those intent on laundering funds can use to their advantage. Third, the sheer volume of service providers and customers across the globe makes the job of enforcement very difficult. In 2013, the computer security company McAfee estimated that there were more than 2,700 online gambling websites regulated by 104 international jurisdictions, plus a much larger number of unregulated gambling websites.<sup>40</sup> Monitoring these types of activities should be an important component of efforts to prevent money laundering in the Caribbean.

Anti-money laundering (AML) efforts can be loosely classified into prevention and enforcement methods. Prevention methods rely primarily on improving awareness about money laundering, creating effective reporting systems, and monitoring compliance with the requirements of those systems. Improving awareness involves educating merchants and financial institutions about the nature of money laundering, the laws and rules governing it, and the responsibilities of their employees if they observe people attempting to make unusual or suspicious transactions. Effective reporting systems are those that establish clear expectations for merchants and financial institutions about detecting, documenting, and reporting unusual and suspicious transactions. However, building effective reporting systems and ensuring that merchants and financial institutions are aware of their reporting responsibilities is meaningless in the absence of systems that monitor compliance with reporting standards. Thus, a key element of preventing money laundering is ensuring that merchants and financial institutions comply with reporting standards. It is easy to build systems that appear on the surface to be consistent with international standards, but ensuring appropriate levels of compliance is much more difficult. Compliance issues are one of the key weaknesses in AML systems throughout the Caribbean.

Enforcement methods rely on investigation, prosecution, and civil or criminal penalties for violating money laundering laws.<sup>41</sup> Nations approach money laundering enforcement in different ways depending on their unique internal structures and regulatory frameworks. Anti-money laundering statutes are often used to prosecute offenders who have committed other primary offense types, especially drug trafficking and fraud. Anti-money laundering statutes can also be an effective tool for fighting international corruption.<sup>42</sup> A key challenge is building flexible and adaptive anti-money laundering systems that are capable of detecting new and emerging forms of money laundering.<sup>43</sup>

The Caribbean region has spent many years building its regional response to money laundering. In June of 1990, the Aruba Conference on Money Laundering was held to begin the process of developing a coherent regional response. A second meeting, the Kingston Ministerial Meeting on Money Laundering, was held in Jamaica in November 1992. Together, these two meetings resulted in 19 recommendations for fighting money laundering in the region. The meetings laid the groundwork for the eventual development of the Caribbean Financial Action Task Force (CFATF) in 1996, with 22 original member states. The primary activities of the CFATF involve “achieving effective implementation of and compliance with the international benchmarks to prevent and control money laundering and to combat the financing of terrorism.”<sup>44</sup> The CFATF facilitates a mutual evaluation program in which member states are subjected to inspections by officials from other member states. The CFATF also provides technical assistance and training to member states, facilitates international cooperation in the fight against money laundering, and provides a forum to connect the heads of the Financial Intelligence Units in each member state. The CFATF is a regional associate of the Financial Action Task Force (FATF), an intergovernmental organization based in Paris that takes the lead globally on addressing money laundering and terrorist financing.

Although the Caribbean region has spent many years erecting its regulatory framework to control money laundering, local compliance with reporting requirements remains a serious issue that undermines these efforts in many nations and territories. Two of the most challenging obstacles to the control of money laundering in the region are insufficient awareness of the problem and poor commitment to addressing it in a serious and deliberate manner. For instance, in 2008, the Governor of the Central Bank of Trinidad and Tobago noted that people in the Caribbean “do not see money laundering and terrorist financing as major challenges.”<sup>45</sup> Changing this mindset represents a serious and ongoing challenge throughout the region.

## **B. Drug Trafficking**

Drug trafficking is a serious problem throughout the Caribbean given the region’s location between major source countries in South America and major destination countries in North America and Western Europe. The U.S. State Department’s 2014 list of 22 major drug producing or drug transit countries includes four Caribbean island nations: the Bahamas, the Dominican Republic, Haiti, and Jamaica.<sup>46</sup> Thirteen other nations on the list are located in South America or the southern portion of North America (Mexico or Central America). Only five of the 22 nations classified by the

State Department as “major drug producing or drug transit countries” are located outside of the Americas. Several aspects of the Caribbean make it a strategically important region for drug traffickers seeking to move both drugs and profits derived from the sale of drugs.

A key aspect of understanding the flow of drugs through the Caribbean is understanding the various strategic routes used by traffickers to move goods and money between source and destination countries. The routes by which drugs from South America reach lucrative *U.S. markets* have shifted over time. In the early 1980s, for instance, the Caribbean routes “used by the Medellín and Cali cartels in the 1970s and early 1980s were essentially closed down by American law enforcement and military operations.”<sup>47</sup> In the late 1980s, these Caribbean routes were replaced with “new routes that used Panama and Central America, the Gulf of Mexico, and the Pacific Corridor to reach Mexico and then cross from Mexico into the United States.” As the Mexican cartels displaced the Medellín and Cali cartels as the prime distributors to U.S. cities in the late 1990s, “the Pacific Corridor became the principal smuggling route northwards from Colombia to the United States, although the Gulf route also remained active.” Mexican President Felipe Calderón’s war on drugs, starting in 2006, pushed some Mexican drug traffickers into Central America, where weak state capacity provided an ideal environment for drug trafficking and other forms of organized crime. Venezuela also provides a key departure point for drugs traveling to the east coast of the U.S. In addition, Venezuela is also a departure point for “drug flights into Honduras or Guatemala, where the shipments are then transferred to trucks and transported by land across the Guatemalan-Mexican border north into the United States.”<sup>48</sup>

Cocaine is transported from South America to *European markets* by air or sea. The primary sea routes include a Northern route that passes through the Caribbean en route to Europe and two other routes that originate directly from South America. According to estimates from the European Monitoring Centre for Drugs and Drug Addiction: “...40% of the cocaine entering Europe passes through the Caribbean, where parts of the cocaine destined for the North American market is also transiting. In a first stage, the drug can be flown or shipped directly to Caribbean islands but also transported overland, for instance through countries like Venezuela... From the Caribbean, transshipments and onward transportation to Europe are organised. Maritime transportation is frequently used, especially rapid and difficult to detect ‘go-fast’ boats, but also pleasure boats, cargo freighters and container ships. Aircraft are also used for dropping cocaine bundles in international waters to awaiting pick-up vessels. Air couriers (sometimes colloquially referred to as ‘mules’) are another transportation technique, with cocaine being smuggled through European airports on commercial flights.”<sup>49</sup> Smaller quantities are transported to Europe (and North America) from Latin America and the Caribbean by airline passengers who conceal drugs in their luggage or on their person. One popular method is “bolita” smuggling in which people swallow packets of drugs and allow them to pass through their gastrointestinal tract once they arrive. Certain destination airports are known to be more vulnerable to these methods than others.

Signs suggest that over the past year, cartels have been re-establishing Caribbean routes for transporting drugs to the U.S. and Europe. As law enforcement authorities exert more pressure on trafficking routes through Central America and Mexico, the Caribbean has recently become a more

attractive option for traffickers. The Dominican Republic, Jamaica, Puerto Rico, and several other Caribbean nations are prime transshipment points for cocaine smuggled from Colombia and Venezuela to the U.S. Several massive drug seizures in the Caribbean in recent months serve as a potent reminder of the volume of illegal drugs currently moving through the region.<sup>50</sup> While Central America and Mexico are still the primary routes for moving drugs from South America to the U.S., the Drug Enforcement Administration (DEA) has been warning Caribbean police agencies to expect a greater volume of drug smuggling activity.

While South American producers are responsible for the cocaine and much of the marijuana in the region, several Caribbean nations also produce marijuana. According to the U.S. State Department, Jamaica is the “largest Caribbean supplier of marijuana to the United States and local Caribbean islands.”<sup>51</sup> In addition, other notable marijuana producers in the Caribbean include Dominica, Grenada, and St. Vincent. There is speculation that some high-quality marijuana in the Caribbean may also originate from Western Europe, which tends to have more robust controls for keeping drugs out than keeping them in. In some cases, cocaine delivered from the Caribbean to destinations in Europe may be paid with marijuana, thus leaving no money trail.

It has become almost instinctual among politicians and other policy makers in the region to attribute the increasing levels of violence in the Caribbean to the drug trade. Drug trafficking is certainly associated with violence, but the association between drugs and violence in the Caribbean is not as clear as is often assumed. For instance, in Trinidad and Tobago, the near epidemic increase in homicides over the past decade is routinely attributed to the drug trade. Some have even labeled the nation a “narco-state” based on insufficient evidence.<sup>52</sup> My team’s research in Trinidad and Tobago over the past decade suggests that these characterizations are grossly inaccurate. Our systematic review of the motives for hundreds of homicides revealed the causes to be much more prosaic. Young gang-involved men, mostly Afro-Caribbean, with regular access to illegal weapons, fighting over issues like perceived disrespect, girls, and other petty matters. Very few of the homicides had anything to do with the drug trade. When drugs were involved, the homicides were typically the result of small-time drug sellers failing to pay a tax to the local gang leader, or fighting over control of a small patch of drug turf like a street corner. International drug trafficking was largely absent from the list of reasons why people kill each other in Trinidad and Tobago. Our research pointed instead to the power of gang culture and its influence on the region’s violence problem, an issue I will address later in this report. Our findings from Trinidad are consistent with the conclusion reached by the United Nations Office on Drugs and Crime about the Caribbean more generally, which noted that a previous reduction in the flow of cocaine through the Caribbean did not reduce homicide rates: “The key driver of violence is not cocaine, but change: change in the negotiated power relations between and within groups, and with the state.”<sup>53</sup> Because systematic research on the nature of violence has not been carried out throughout the Caribbean, it is difficult to know to what extent the patterns observed in Trinidad and Tobago are generalizable.

Drug trafficking in the Caribbean is a serious problem. Its connections with violence in the region are often assumed. In some nations, a substantial share of the violence can likely be attributed to instrumental motives associated with the drug trade. In others, as I will argue later in the report,

the violence is only loosely associated with drugs and has much more to do with the spread of gang culture and the violence that accompanies it. Nonetheless, regardless of whether drug trafficking in the Caribbean is responsible for the outbreak of violence over the past decade, it is a serious problem requiring a coordinated response. It has especially corrosive effects on political integrity and the rule of law, both of which undermine human development in the region.

### **C. Gun Trafficking**

The Caribbean region has high rates of gun violence that continue to grow as gang culture spreads across the region. Guns are the primary form of dispute resolution for violent street gangs in the Caribbean. Though gun violence in the U.S. is well storied internationally, the problem is much worse in many Caribbean nations and territories. The prominent role of guns in the region's violent crime leads many to suggest that stopping the flow of guns into the Caribbean is an obvious solution to the violence problem. This argument would be more persuasive if it were possible to control borders more tightly and choke off the supply of guns. However, the Caribbean is filled with island nations and territories whose borders are very difficult to control, especially against compact goods like firearms that can be transported easily by small boats. Therefore, although supply reduction is crucial, additional approaches are also necessary to stem the tide of gun violence.

Gun trafficking is unique relative to other forms of trafficking because firearms are durable goods. Unlike drugs, which can be consumed rapidly and therefore require regular resupply, gun markets do not require regular replenishment. The discussion of gun trafficking in this section refers primarily to small arms being trafficked for criminal purposes, not artillery or larger weapons which may be trafficked for war, insurrection, or other political purposes. Firearms can be trafficked in many ways; they can be shipped "through regular commercial channels, relying on false or fraudulently acquired paperwork and/or corrupt officials to secure passage."<sup>54</sup> For instance, guns can be hidden in containers and brought by ship into Caribbean ports, where security is often lax. Traffickers may work with corrupt customs officials to ensure that the shipments are not discovered. My research team worked with the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to learn more about the sources of guns brought into Trinidad in 1990 to support an ultimately unsuccessful coup d'état. Tracing data showed that the guns had been diverted from the legal gun market in the United States. They were hidden in a hollowed out stack of plywood, shipped by container to a port in Trinidad, and then distributed to citizens to support the coup attempt.<sup>55</sup> In the absence of more systematic regional tracking data on these issues, we are unfortunately left with little more than anecdotes and suspicions. For instance, police investigators in Aruba and Curaçao suspect that guns may be coming in small quantities on boats from South America that carry fruits and vegetables.

It is well-known that the U.S. is the primary source of newly manufactured trafficked firearms in the world. There is no single set of laws and policies regulating the sale of guns in the U.S. Though federal law plays an important role in certain aspects of U.S. gun regulation, the fifty state governments within the U.S. are responsible for much of the legislation regulating gun sales. These state-level regulations vary widely, with some states significantly more permissive than others.

An activity that is legal in one state may be considered a felony in another. This inconsistency in the regulation of gun sales across states provides opportunities for criminals seeking to profit from the legal purchase of guns. Guns purchased legally can then be diverted to the black market and shipped elsewhere at considerable profit. Crime guns are frequently diverted from the legal gun market, not only in the U.S., but in any nation in which guns can be sold to civilians.<sup>56</sup> The Americas are home to several nations that manufacture firearms, including the United States, Brazil, and Argentina, thus there are several potential source nations for newly manufactured guns.

Little is known about the nature of illegal gun markets in the Caribbean region and the trafficking flows between source, transit, and destination countries. The U.S. government produces estimates of the scope of drug trafficking and human trafficking, in which the focus is largely on keeping commodities *out* of the country. With many of the guns in the Caribbean being supplied from within the U.S., the problem is more about keeping commodities *in*. I am not familiar with any database that documents the seizures of illegal guns in the Caribbean. Tracing the source of crime guns is routine in some nations, but it is rarely done in others, including throughout most of the Caribbean. According to the Small-Arms Survey, “the illicit small arms trade is anything but transparent and... the data are destined to remain forever incomplete and inadequately substantiated.”<sup>57</sup>

A popular theory in the Caribbean is that firearms are used to protect drugs smuggled into the region, but that once the drugs are offloaded in Caribbean destinations, the guns are left behind. In Trinidad and Tobago, for instance, it is widely believed that guns dropped off during the transshipment process led to a surge in the number of available guns on the street, which then led to elevated levels of gun violence over the past decade. My research team found little evidence to support this theory. At the time, gun prices on the black market were *increasing*, which is opposite the pattern we would expect to observe when supply increases. Armed security guards were also being attacked and their guns stolen. Robbing armed victims to steal their firearms is dangerous and suggests some level of desperation on the part of the offenders. Our interviews with recent arrestees taught us that guns were being rented fairly frequently, which again is inconsistent with a large influx of guns available for purchase. Our analysis of ballistic imaging data from crime scenes suggested that the same guns were being used repeatedly in multiple shootings, including homicides. One might expect an offender in an environment with a ready supply of illegal guns to get rid of a gun used in a murder so as not to be caught in possession of it. All of this evidence suggests a shallow pool of illegal guns, thus an increase in the availability of guns is an unlikely explanation for the increase in violence in Trinidad and Tobago. However, this anecdote illustrates a crucial lesson: The black market in guns is often difficult to understand with precision. Learning more about illicit gun markets often requires multiple sources of information (including data from tracing, ballistics, seizures, arrests, and offender interviews) that can provide different perspectives on the problem.

Another popular theory among police in some Caribbean nations is that military weapons are being diverted to the black market and sold in the Caribbean and elsewhere. For instance, Venezuelan soldiers have long been suspected of selling military rifles that end up in the hands of Caribbean gangs.<sup>58</sup> If true, this disturbing pattern will likely increase the lethality of weapons

available to gangs and organized crime in the Caribbean. Little is known about whether this theory is valid. It is true that small arms are diverted from Latin American military sources. For instance, massive cuts in military personnel in Argentina led to “an unprecedented small arms and light weapons surplus.” Surplus military weapons have been seized from criminals in Argentina and its neighbors.<sup>59</sup> Anecdotal evidence from several locations throughout the Caribbean suggests that gangs are indeed somehow gaining access to semi-automatic and automatic weapons.

More is known about drug trafficking in the Caribbean than about gun trafficking. Several features of illicit gun markets make it difficult to draw firm conclusions about the nature and scope of these markets and what to do about them. It is essentially a “missing data” problem. In policy domains where little is known about the problem to be solved, debates are often inane and the resulting policies make little sense. For instance, several Caribbean nations have experimented with gun buyback or gun amnesty programs in an attempt to reduce the number of guns on the streets. Empirical research from other countries has consistently shown that these programs are ineffective at reducing gun crime.<sup>60</sup> They may even generate unintended consequences. For instance, if the payment for the firearm is substantial, some offenders may treat a buyback as an opportunity to trade in old, worn-out, or broken guns for cash, while retaining the weapons they actually use to commit crime. There is a clear need in the region for much more intensive data collection about gun trafficking and illegal gun markets. These data would then provide the basis for governments to adopt more effective evidence-based solutions.

Evidence from other nations suggests that much can be learned from paying much more systematic attention to *crime* guns as opposed to *all* guns. Research using ballistic imaging technology suggests that criminals often tend to use the same guns over and over again to commit acts of violence. Building policies around identifying and seizing those crime guns that are used serially can be an effective approach to reducing gun violence. Ballistic imaging technology is already available within several Caribbean nations. There is also a Regional Integrated Ballistic Information Network (RIBIN) that allows for the sharing of ballistic imaging data across nations. These data are not only useful in a tactical sense for solving individual gun crimes, but also in a much more strategic sense for revealing useful patterns about the nature of guns used in violence.<sup>61</sup> Another very useful source of information on gun markets is the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) eTrace program. This is a program for systematically tracing the origin of firearms found or seized by police. Currently, most discussions of the sources of illegal guns in the Caribbean are based on little more than conjecture. The use of eTrace in the Caribbean is sporadic at best, which is unfortunate, because it could provide more systematic knowledge about illicit gun markets in the region. Tracking gun seizures, much like the DEA does with drug seizures, would also go a long way toward tracking the missing pieces of the gun trafficking puzzle in the Caribbean.

#### **D. Human Trafficking**

The United Nations defines human trafficking as “the process by which people are recruited in their community and exploited by traffickers using deception and/or some form of coercion to lure and control them.”<sup>62</sup> The 2014 *Trafficking in Persons* (TIP) report produced by the U.S. State

Department notes that human trafficking is “the act of recruiting, harboring, transporting, providing, or obtaining a person for compelled labor or commercial sex acts through the use of force, fraud, or coercion.”<sup>63</sup> The two most common forms are sex trafficking and labor trafficking. Trafficking victims include men, women, and children. Most trafficking offenders are men. Female traffickers work primarily in the sex trafficking industry where they typically hold low-ranking positions.<sup>64</sup> Several Caribbean nations serve as source, transit, and destination countries (or some combination of these) for human trafficking victims, including men, women, and children.

According to the United Nations Office of Drugs and Crime, “the global dimension of trafficking in persons is difficult to assess because a trafficking flow may have any area of the world as its origin and any other as its destination. To compare, the flows related to other illicit markets, such as those of trafficking in opiates or cocaine, originate in a limited number of drug-producing countries. A similar situation exists with regard to firearms — for which there are a limited number of manufacturing countries.”<sup>65</sup> For this reason and others, estimating the size and scope of the problem is very difficult. Estimates at smaller levels like neighborhoods and communities may be feasible in some circumstances, but estimates at higher levels (states, nations, continents) are often riddled with measurement error. Among human trafficking flows originating in Central America and the Caribbean, the UNODC estimates that “the most prominent seems to be the flow from the Dominican Republic. Dominican victims have been detected in or repatriated from 18 countries around the world, mainly in the Americas and Europe.”<sup>66</sup>

The U.S. State Department’s annual TIP report classifies countries into four ordered categories ranging from best to worst: Tier 1, Tier 2, Tier 2 “Watch List”, and Tier 3. Tier 1 nations are those that are judged to meet the minimum standards for eliminating trafficking. No Caribbean *nations* are classified in Tier 1, though some Caribbean *islands* are in Tier 1 by virtue of their association with colonial governments (for instance, Bonaire, St. Eustatius, and Saba are in Tier 1 by virtue of their status as overseas territories of the Netherlands). Tier 2 nations are those that don't currently meet the minimum standards but are “making significant efforts to bring themselves into compliance with those standards. Most Caribbean nations (including Aruba, Curacao, and Sint Maarten) are classified in Tier 2. Although Colombia is classified in Tier 2, it is widely viewed as a source country for sex trafficking. The 2014 TIP report notes that “Colombian women and children are found in sex trafficking around the world,” including the Caribbean. The Dominican Republic is also classified in Tier 2, though the TIP report notes that it is a “source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor.” The Tier 2 ratings for these two nations are not meant to indicate that human trafficking is not problematic there, but instead to acknowledge that both nations are making credible efforts to address the problem. Thus the tiers represent a somewhat confusing mix of the scope/severity of the problem on the one hand, and a nation’s efforts to address the problem on the other hand. Ideally these would be separate dimensions.

Four Caribbean nations are on the Tier 2 Watch List, including Antigua & Barbuda, Haiti, Jamaica, and St. Vincent & the Grenadines. The 2014 TIP report classifies all four nations as “destination and transit countr[ies] for men, women, and children subjected to sex trafficking and

forced labor.” In addition, Haiti and Jamaica are thought to be source nations for trafficking to other nations, including elsewhere in the Caribbean. Haitians are often subjected to forced labor in other Caribbean destinations. Jamaicans are thought to be trafficked to numerous other destinations, including elsewhere in the Caribbean, for both forced sex and labor.

Tier 3 nations do not comply fully with the minimum standards and “are not making significant efforts to do so.” The only Caribbean island in Tier 3 is Cuba, which is considered a source country for “adults and children subjected to sex trafficking, and possibly forced labor.” Cuban citizens have also been subjected to sex and labor trafficking to numerous destinations outside of Cuba, including elsewhere in the Caribbean. Venezuela, which is in close proximity to many of the southern Caribbean islands (including Aruba, Bonaire, and Curaçao), is also classified in Tier 3. The 2014 TIP report notes that “Venezuela is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor... Venezuelan women are transported from coastal areas by small boats to Caribbean islands, particularly Aruba, Curacao, and Trinidad and Tobago, where they are subjected to forced prostitution.

Human trafficking is a problem in certain parts of the Caribbean, but its scope is more limited than in other parts of the world. Nonetheless, it remains an important problem that is worthy of serious attention. Focusing in on young women recruited from other nations to work in brothels in the Caribbean represents a useful place to start. Many of these young women are lured to the region under false pretenses by traffickers; are charged excessive fees for room, board, and other expenses; and have their passports taken away until they are able to repay their debts. Given the presence of brothels and other destinations for sex workers in the Dutch Caribbean, these issues would appear worthy of attention from law enforcement authorities.

## **E. Terrorism**

Terrorism has not traditionally been a major issue in the Caribbean. The region is not home to any state sponsors of terrorism. There are some general concerns about individuals and groups in the Caribbean linking up with drug traffickers or established terrorist groups, particularly as a means for gaining access to potential targets in the U.S. There are also concerns about terrorist financing from within the Caribbean.

Given the extent of drug trafficking in the Caribbean, one concern is that terrorists will form alliances with drug traffickers in the region. This concern flows from an emerging global pattern in which transnational criminal organizations are now forming “short-term strategic alliances with terrorist organizations.”<sup>67</sup> Linking criminal and terrorist organizations are shadow facilitators who work with both groups and who “understand how to exploit the seams in the international legal and economic structure.”<sup>68</sup> The U.S. DEA estimates that 19 of the 43 foreign terrorist organizations recognized by the State Department have ties with drug-trafficking organizations. These ties are not based on shared ideologies; they are based on achieving short-term strategic goals. Both groups thrive in weak states with entrenched corruption and weak law enforcement and judicial systems. Such environments provide these groups with “an asymmetrical advantage over state actors, which are inherently more bureaucratic and less adaptable than nonstate actors.”

For instance, several people arrested in 2009 for drug trafficking and money laundering in Curacao had ties to Hezbollah, a terrorist group based in Lebanon.<sup>69</sup> The case involved drugs shipped from Venezuela and Colombia to Europe, proceeds from which were laundered “through informal banking mechanisms such as the Hawala system” and used to support Hezbollah.<sup>70</sup> The U.S. State Department notes that there are no known operational cells of Hezbollah in the western hemisphere, but that “ideological sympathizers in South America and the Caribbean” provide financial and ideological support.<sup>71</sup> Others suspect that Hezbollah is receiving support from Venezuela and Iran and that its operatives are particularly active on Margarita Island in the Caribbean.<sup>72</sup> The most active terrorist group in the hemisphere is the Revolutionary Armed Forces of Colombia, also known as FARC.<sup>73</sup> There is speculation that FARC may be active in the Caribbean, but little concrete information is available.

Trinidad and Tobago is home to the radical Islamist group Jamaat al Muslimeen, which is thought to have ties with Libya. Led by former police officer Imam Yasin Abu Bakr, the Jamaat al Muslimeen launched an unsuccessful coup attempt in Trinidad and Tobago in 1990. Two dozen people died and the nation’s Prime Minister was shot during the melee. Although the Jamaat al Muslimeen is thought to be associated with numerous crimes, it has not been implicated directly in terrorist activity. One of the group’s associates, however, was involved (with three co-conspirators from Guyana) in a plot to set off explosions in New York’s John F. Kennedy International Airport in 2007. All four were convicted and imprisoned in the U.S. The plot raised serious concerns about the potential for the Caribbean to serve as a breeding ground for Islamic terrorists seeking to launch attacks against the U.S.

Terrorist financing is also a concern in the Caribbean region. Money laundering and terrorist financing have much in common, but there are important differences. Money laundering transactions involve illicit funds by definition, whereas terrorist financing transactions may involve funds derived from either legal or illegal sources. The principal responsibility for detecting terrorist financing transactions falls on financial institutions (such as banks and credit unions), including money transfer companies (such as MoneyGram and Western Union). These front-line institutions are the gatekeepers whose employees must be trained and monitored to ensure that they are able to recognize a potential terrorist financing transaction, document it thoroughly, and report it to the Financial Intelligence Unit (FIU).

Many acts of terrorism, particularly those that are larger, more complex, and more organized, require significant financial support. Sometimes terrorists are provided with financial support from governments. Other times they must generate revenue to support their operations. These revenue-generating activities can take the form of fundraising campaigns in which terrorists solicit donations from benefactors who are loyal to the cause. In such instances, the funds may be derived from legitimate sources. However, terrorists might also seek to generate revenue through engaging in criminal activity such as kidnapping, extortion, smuggling, or theft. According to the FATF, “the methods used by terrorists and their associates to generate funds from illegal sources differ little from those used by traditional criminal organisations. Although it would seem logical that funding from legitimate sources would not need to be laundered, there is nevertheless often a need for the

terrorist group to obscure or disguise links between it and its legitimate funding sources..." The FATF has concluded that "terrorists and their support organisations generally use the same methods as criminal groups to launder funds." In those instances where supporters are attempting to launder funds derived from a legitimate source, money laundering statutes may be insufficient. Specific terrorist financing legislation is necessary in such instances.

## **F. Political Corruption**

Political corruption is an entrenched problem throughout most of the Caribbean. Corrupt officials facilitate illicit transactions that make it possible for the drug trade and other criminal enterprises to prosper. "Drug money payoffs to government officials, police officers, and justice system officials cause these officials to 'look the other way' as the drug gangs go about their business on many Caribbean states."<sup>74</sup> In the small island states throughout the Caribbean, longstanding relationships between criminals and politicians have become woven into the very fabric of society.

In Trinidad and Tobago, government unemployment programs have become deeply corrupted, fueling the nation's epidemic of gun violence. Lucrative government contracts have routinely been issued to gang leaders for construction projects they are often unqualified to execute. Gangs continue to fight over access to government funds, which means the outbreak of violence is essentially government-funded. More recently, a youth sports program was dismantled amid allegations that it had been heavily corrupted by criminal gangs. Some politicians are alleged to rely on local "community leaders" (gang leaders) to deliver blocks of votes during elections. Gangs also attempt to secure political favor through temporary cease-fires and truces. These longstanding linkages between criminals and politicians create an environment that fosters political corruption.

In Jamaica, political corruption is even more deeply entrenched. Since their inception, the two major political parties (the People's National Party and the Jamaica Labor Party) have engaged in deadly political battles for state control. Starting in the 1960s, both parties constructed housing complexes allocated only to those who voted for their respective party, eventually forming clusters of neighborhoods with residents who voted exclusively for one party. These neighborhoods have become known as "garrison communities" because of their party dominance and control over residents. Garrison communities have designated leaders who are popularly known as Dons. The Dons and their armed supporters govern their neighborhoods to ensure political homogeneity. Residents have historically been encouraged by elected officials to use violence to protect their neighborhoods from invasions by rival political supporters. The violence persisted over many years and resulted in politically segregated neighborhoods with clearly defined political boundaries.<sup>75</sup> One analysis notes that the two major political parties "began to legitimize the role of the gunman as an enforcer in their rivalry," thereby enhancing the status of violent gangs and solidifying their role in politics.<sup>76</sup>

In 2009, the U.K. suspended self-government in Turks and Caicos in the aftermath of a major government corruption scandal. A report investigating the issue concluded that there was a "a high probability of systemic corruption in government and the legislature and among public officers in the Turks & Caicos Islands in recent years. It appears, in the main, to have consisted of bribery by

overseas developers and other investors of Ministers and/or public officers, so as to secure Crown Land on favourable terms, coupled with government approval for its commercial development."<sup>77</sup> Self-government was restored by the U.K. in 2012.

The Caribbean masses tend to pay little attention to political corruption, resigning themselves to the likelihood that the problem is endemic and beyond their capacity to influence. While perceptions of corruption vary across the Caribbean, the overall pattern is that residents perceive widespread corruption. In a 2010 survey of more than 11,000 residents in seven Caribbean nations, 37.2% agreed that judges are corrupt, 49.6% agreed that the justice system is corrupt, 47.0% agreed that powerful criminals go free, and 52.5% agreed that politically connected criminals go free.<sup>78</sup> These findings represent clear evidence that the public has lost faith in the governments of these seven nations.

Political corruption detracts from stability and quality of life in the Caribbean in numerous ways. Political corruption undermines the rule of law, thus creating a vicious circle of tolerance for crime.<sup>79</sup> Research shows that high levels of political corruption also exert an economic toll on developing nations by decreasing "overall economic output (GDP per capita) and... capital formation."<sup>80</sup> Furthermore, political corruption is also thought to have an effect on "a state's educational output, societal inequalities, and on the levels of economic investment sources available, particularly foreign direct investment and domestic savings."<sup>81</sup> Much of the political corruption in the region is associated with the drug trade, which "contributes to and is facilitated by widespread and enduring corruption" in both the public and private sectors."<sup>82</sup>

Data on political corruption in the Caribbean are incomplete at best. The best data source is probably Transparency International's 2013 Corruption Perceptions Index, which is available for only 11 of the island nations and territories in the Caribbean (mainland nations on the Caribbean basin are not included here). Of the 177 nations and territories included in the Index, which are ranked from least to most corrupt, Barbados ranked 15<sup>th</sup>, followed by Bahamas (22), St. Lucia (22), Puerto Rico (33), St. Vincent (33), Dominica (41), Cuba (63), Trinidad and Tobago (83), Jamaica (83), Dominican Republic (123), and Haiti (163).

Fighting political corruption is especially difficult in small-island states. There may be longstanding traditions about the way things are done. Moreover, dense interpersonal networks in which everyone knows everyone else make it difficult to fight corruption. As one observer has noted, "local governments on small islands find it particularly challenging to manage local interests, conflicts, needs and pressures with the outside mandates of the [colonial] government for administrative openness and good governance."<sup>83</sup> These are common issues in the decolonization process in the Caribbean. Local governments seek autonomy, but they are hamstrung by the destabilizing influence of political corruption and find it nearly impossible to break the cycle without outside assistance.<sup>84</sup>

## **G. Other Issues**

One of the biggest crime and security issues currently facing the Caribbean is criminal street gangs. Gang culture has begun to spread throughout the Caribbean, even in nations where crime

and violence have not typically been major concerns. In a recent survey of citizens in seven Caribbean nations, 29% of respondents reported that their neighborhood has experienced gang violence. This finding ranged from a low of 18.3% in Barbados to a high of 43.1% in St. Lucia.<sup>85</sup> Gang violence has taken a serious toll on the quality of life among residents living in communities where gangs operate. In some of these communities, gangs exert significantly more social control than legitimate government agencies; gang leaders have become elevated to the status of “community leaders” in some areas. When criminals attain this kind of informal celebrity status, a circular process is set in motion that reinforces the legitimacy and attractiveness of gangs among youth, thus enhancing gang recruitment efforts.

Gang culture in the Caribbean represents an interesting blend of what young men hear in music and see in movies. Many, but not all, of these influences come from the U.S. In Trinidad and Tobago, for instance, there is the Beverly Hills gang (named after a wealthy city near Los Angeles), the G-Unit gang (named after a rap music band), and the Gambinos gang (named after a mafia family). In many Caribbean islands, gangs name themselves after the Crips and Bloods, which are well-known street gangs that originated in Los Angeles. The selection of gang names appears to represent copycat behavior rather than a genuine alliance with U.S. street gangs. There is evidence of these same cultural influences in the naming of Dutch Caribbean gangs. For instance, the No Limit Soldiers in Curacao were likely influenced by No Limit Records, a U.S. record label founded by rapper Percy “Master P” Miller.

Jamaican cultural influence in the Caribbean is also powerful, particularly through Dancehall music. In Jamaica, street gangs have alliances with the musical traditions of either “Gaza” or “Gully.” Gaza is the stage name of Dancehall artist Vybz Kartell, who is currently serving a life sentence in Jamaica for murder. Gully is the stage name for Mavado, whose violent song lyrics have led to several of his concerts being canceled by government officials. Reminiscent of the East coast/West coast rap wars in the U.S., gangs in Jamaica will tend to affiliate with one side or the other. Playing the wrong music or entering the wrong dancehall can have deadly consequences.<sup>86</sup> Gaza and Gully graffiti can now be found in several Caribbean islands given Jamaica’s robust cultural influence in the region. It is not yet clear to what extent gangs in the Caribbean are also influenced by gangs in Latin America. Fortunately, I am not aware of any evidence that Central America’s violent street gangs (MS-13 and Barrio-18) have migrated into the Caribbean yet.

While outlaw motorcycle gangs have spread from the United States to many nations, there is little evidence that they have taken root throughout the Caribbean. There are no concrete data on these issues, but anecdotal evidence suggests that these groups may have started up in some Caribbean countries, including the Dominican Republic and Curaçao. Little is known about this issue and it deserves further attention. One possibility might be to conduct a survey through the Association of Caribbean Commissioners of Police to provide more firm evidence.

Because the sources of cultural influence on Caribbean gangs are so diverse, gangs tend to take on different structures and styles. Most Caribbean gangs are loosely organized neighborhood-based groups. Certain gangs, as they become more sophisticated, may begin to establish more formal organizational structures, including clearly defined hierarchies. There is also wide variation across the

region in the extent to which gangs wear certain colors, communicate using gang signs, use graffiti or “tagging,” or embrace other artifacts of American gang culture. Some Caribbean gangs don’t wear colors or have signs. There is also wide variation in the extent to which gangs have actual group names. Some take on the name of their leader, while others take on the name of their community. Most gangs in the Caribbean claim turf or territory as their own and defend it (using violence if necessary) against outsiders. The rare exception occurs when certain gangs evolve into more sophisticated organized crime entities and move beyond their territorial origins.

Although gang offending takes on a distinctive local flavor in each Caribbean nation or territory, there are certain common patterns. Most engage in what is known as “cafeteria-style offending.”<sup>87</sup> Put differently, they tend to engage in a variety of enterprises to earn money rather than specializing in a single offense like drug trafficking. The most common enterprises include drug sales, theft, robbery, extortion, kidnaping for ransom, murder-for-hire, renting or selling guns, and ripping off other offenders, particularly drug dealers. Most gang crime is local, though there are many instances of gangs carrying out offenses in other Caribbean nations or territories.

Although the use of violence varies widely across gangs in the Caribbean, overall the gangs in the region tend to be very violent. Homicide rates in the region are some of the highest in the world, due largely to violence committed by gangs. One empirical study of gangs in the U.S. and Trinidad concluded that gang members in Trinidad had experienced significantly more violence, both as victims and perpetrators, than gang members in the U.S.<sup>88</sup> Unfortunately, similar comparisons involving other nations are not available.

The level of violence is particularly alarming because it sometimes involves victims who are not involved in gangs. In Trinidad and Tobago, some of the informal rules about who is off-limits for violence seem to be going by the wayside. For instance, a plot was hatched to kill a priest who worked closely with gangs doing community-based intervention. Fortunately, the gang leader who gave the order rescinded it before it was carried out. In January 2007, masked gang members stormed the home of female police constable in Trinidad and murdered her, along with her husband, her daughter, and a family friend. She was suspected of providing information about the local gang leader to her police colleagues. In May, 2014, senator and prosecutor Dana Seetahal was murdered while driving her car. She was perceived as threatening to a powerful local gang. In addition, gangs in Trinidad and Tobago have also targeted soldiers and prison guards. The idea that gangs in Trinidad have hatched plots to kill priests, police officers (and their families), prosecutors, soldiers, and prison guards should serve as a sobering reminder about the danger posed by gangs. Jamaica has experienced similar phenomena. Activist politicians may be especially vulnerable to retaliation homicides, as evidenced in Curaçao by the recent murder of Helmin Wiels. As gang culture continues to spread outward from Jamaica and Trinidad to the rest of the Caribbean, it is vital for any agency or NGO working with gangs to think carefully about the safety of their personnel. For law enforcement agencies, this means putting in place appropriate training and policies to ensure the safety of their personnel and their families both in the workplace and elsewhere. A key element of the gang culture that is spreading throughout the Caribbean is that gangs will defend their interests using violence.

While many people view drug trafficking as the most serious issue in the Caribbean, the more serious problem in terms of lost lives is gang violence. Because people tend to assume that the two problems are part and parcel of one another, there is a tendency not to think about them as separate. Most Caribbean nations have been slow to acknowledge the importance of gang violence. The common tendency is to wait until a particularly newsworthy violent event or series of events before making the decision to act. Even then, limited knowledge and capacity about how to address gang violence remains a challenge throughout the region. The reality is that gang violence is complex and must be addressed holistically by multiple sectors working together. The police are a central component in any effective solution to gang violence, but they must be part of a more comprehensive approach. The most common mistake in the Caribbean is to view gang violence as primarily a police problem rather than a community problem. Solving it will involve a mix of prevention, intervention, and suppression strategies carried out by different stakeholders working together.

### **PART 3: STRATEGIC IMPLICATIONS**

This report shows how the Caribbean is home to a variety of intersecting economic, social, and public safety challenges, all of which impact the Dutch Caribbean to some extent. The Caribbean is also home to many nations and territories, some with greater law enforcement capacity than others. Information-sharing, communication, and cooperation vary widely across the nations and territories in and around the Caribbean basin. Gaps in the patchwork of agreements and treaties between these nations and territories create opportunities for criminals to exploit these gaps for their benefit. Paraphrasing an investigator interviewed for this report, the Caribbean is “heaven for criminals.”

The RST does not have the standing to fix the many issues beyond its scope that influence crime in the region. For example, the source countries from which drugs, guns, and human beings are trafficked fall outside of its jurisdiction. The capacity issues of nearby jurisdictions may influence crime patterns within the Dutch Caribbean, but these issues are largely outside the reach of the RST. Similarly, the RST is unable to fix the underlying structural issues in the Dutch Caribbean that generate crime. Instead, it must select problems that it can influence and work together with its local and international partners to address these issues.

Local capacity limitations also present significant challenges for the RST. A key part of the agency’s focus is therefore on local capacity building through “twinning” – pairing up RST investigators with their local counterparts. This is beneficial in both directions, enabling locals to learn from the expertise of the RST, and allowing the RST to learn more about local conditions that they may not otherwise understand as outsiders. This approach is a useful mechanism for enhancing local capacity, but ultimately much greater attention must be invested in enhancing local capacity through training, technical assistance, and coaching. These broader capacity-building needs are currently outside the scope of the RST’s mission and resources.

The RST has a broad mandate to address a variety of crime and public safety challenges in the Dutch Caribbean. Resource constraints render it necessary to make difficult strategic choices

about how to direct those resources. Furthermore, there is significantly more crime in the Dutch Caribbean than the RST has the resource capacity to handle. As a result, the agency must decide which types of crime to focus on. The unfortunate reality is that it cannot focus equal or sufficient effort on all of them. While the RST has a mandate to focus on the six types of crime covered in Part 2 of this report, one of the most serious crimes in Curaçao and St. Maarten is gang violence, which is not among the agency's six areas of focus. Limited local capacity to address this increasingly vital issue means that the RST is having to divert some of its attention toward this issue rather than the six areas of focus in its mandate. Given resource constraints, one way of conceptualizing the strategic priorities of the RST is to focus on those intersecting issues that influence multiple types of crime. For instance, if a corrupt official is receiving money to allow trafficking in guns and drugs, investigating this individual's activities would allow the RST to take on three different types of crime simultaneously (corruption, drugs, and guns).

The RST has the opportunity to help shape the future of the Dutch Caribbean islands. With Curaçao and Sint Maarten having only recently achieved independence, these two nations in particular are on a vulnerable developmental trajectory. One needs only look to Jamaica and Trinidad, both of which have been independent for fifty years, to see one possible future. Both nations suffer from a longstanding pattern of endemic corruption and violence. Addressing the many public safety challenges in the Dutch Caribbean islands now may help save them from a similar fate. At the same time, the volume of crime in the region is much too great for the RST to handle given its limited human resources. Thus, ultimately the solution to crime and violence in the region must involve a solid partnership between the RST and the various other agencies and organizations that can play a key role in addressing these issues.

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