

# THE BUSINESS CLIMATE FOR DRUG CRIME IN THE NETHERLANDS

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Summary

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## Introduction and overarching research questions

For several decades, both national and international studies and threat analyses have shown that criminal networks based in the Netherlands play an important role in the international trade in narcotics and the production of synthetic drugs and cannabis. This raises the question why the Dutch 'drug industry' has developed to such importance. The question examined in this report is whether the Netherlands has a favourable 'business climate' for drug-related crime. It concerns the question which factors determine this climate, how these can be measured and influenced, and how these factors can be visualised in a conceptual model.

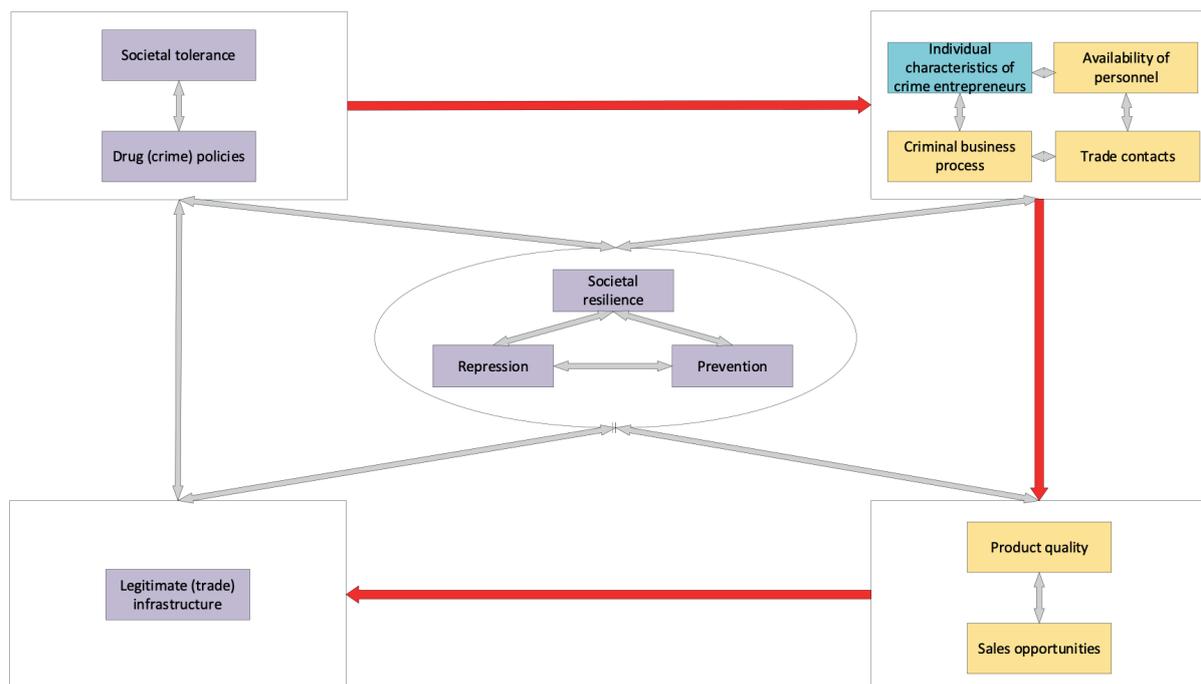
This report is the result of a literature study, supplemented with a limited number of interviews with academics and practitioners. The research was commissioned by the Scientific Research and Documentation Centre and conducted by Tilburg University. The project started in September 2021 and was completed in April 2022.

The term 'business climate' deserves clarification. In economic terms, the concept refers to what makes a country attractive for foreign companies to establish themselves there. Relevant factors include the infrastructure, levels of education, a favourable tax climate, and a stable and well-functioning government. In the Netherlands, however, although representatives of foreign criminal organisations are indeed present on Dutch territory, it is homegrown criminal networks who are responsible for organising large-scale drug trafficking and production. The concept of a business climate must therefore be interpreted more broadly, including a historical perspective of how these networks were able to develop. The framework of analysis is therefore based on the assumption that the choices made by those involved in criminal networks are determined by the backgrounds and motives of individual crime entrepreneurs, the way in which criminal business processes can be organised and, at systemic level, by societal factors, the role of the government and the legal transport and trade infrastructure in place.

## The conceptual model

In the conceptual model depicting the business climate, five clusters of factors have been distinguished (see below). The starting point of the model is the societal climate regarding narcotic drugs and the drug crime policies pursued. This climate influences the choices made by crime entrepreneurs, the availability of 'personnel' and the way in which criminal business processes can be carried out. These factors determine the product quality and thus the international sales opportunities. Next, the legitimate trade and transport infrastructure is important for both the import and export of narcotics. The fifth and last cluster of factors concerns the countermeasures that the government takes, in the shape of repression, prevention and efforts to increase (societal) resilience, which are all related to the previous clusters of factors.

## Conceptual model business climate



### *Societal tolerance and drug-related crime policy*

Historically, the Netherlands has been tolerant with regard to drug use, and the country has waged no moral crusades against narcotics, as occurred for instance in the United States and the United Kingdom. Nowadays, the Dutch people are largely ambivalent towards the recreational use of cannabis and synthetic drugs in particular, and within certain population groups even cannabis cultivation is considered morally acceptable. The lack of widespread disapproval of drug use has enabled subsequent governments to pursue pragmatic policies on narcotic drugs since the 1970s. Policies focus on tolerance, harm reduction and on keeping crime problems controllable. Although the wholesale trade in and production of narcotics was tackled repressively, such interventions did not prevent the emergence of criminal networks that managed to develop large-scale drug trafficking, and from the end of the 1980s onwards also drug production. With the benefit of hindsight, it is clear that the Dutch government responded too slowly when these developments first occurred, and when efforts to suppress specific drug markets were increased from the end of the 1980s onwards, these were often scaled-down after the first indications of success, and because of reorganisations and budget cuts affecting the police and the public prosecution service in particular.

### *Crime entrepreneurs, (drug) networks and criminal business processes*

Large-scale drug trafficking and production involves the execution of complex criminal business processes. This requires crime entrepreneurs with specific personal characteristics and motivation, who possess individual qualities, for instance as managers of criminal cooperatives. In addition, crime entrepreneurs often stem from specific subcultures and their attitudes and choices are influenced by norms and values of their social group. These factors are important because they determine decision-making processes regarding which criminal activities to undertake, how these are carried out and where. To be successful in large-scale drug trafficking, or production, also requires a network of contacts with business partners and personnel, respectively. Crime entrepreneurs must therefore be able to build and maintain criminally exploitable ties. The actual execution of criminal business processes requires the organisation of a complex flow of goods, money and information.

It is impossible to estimate how many people in the Netherlands are willing to engage in criminal cooperatives involved in drug trafficking and production, but there does not seem to be a scarcity of 'staff.' Moreover, specialised suppliers and service providers develop organically around successful legitimate and illegitimate businesses. The drug industry is no exception. Specialists for instance focus on the supply of hardware for the production of synthetic drugs, the construction of cannabis nurseries, transport, money laundering, the supply of illegal firearms, and so on. Sustainable and effective disruption of such mature criminal networks therefore becomes increasingly complex. Situational crime prevention methods ('raising of barriers') focus on disrupting

the flow of goods, information and money, have proven effective in a number of respects. However, it should always be borne in mind that criminals may circumvent these and that preventive effects often wear off after time.

#### *Product quality and sales opportunities*

Importing or producing narcotics on a large scale only makes sense if there are sales opportunities. Such are determined on the one hand by the quality of the product, including security of supply, and on the other by the presence of contacts with buyers and sellers. The skills of both crime entrepreneurs and their personnel generally enables Dutch criminal networks to manufacture and/or offer products with a favourable price/quality ratio. However, small and medium scale foreign buyers also seem to be attracted to the Netherlands by the fact that different types of narcotics can be purchased in one stop. Furthermore, the security of supply seems to be high, for example because the scale of the drug industry will enable suppliers who are temporarily out of stock to easily contact others who have the products available. Sales opportunities therefore largely determine the business climate for drug crime in the Netherlands. This would argue in favour of paying more attention to downstream disruption of drug distribution to other European countries in particular. Counteracting the export from the Netherlands is not a high priority at the moment, especially because individual shipments are usually small ('kilo trade'), but there are sufficient indications that this does not apply to the total quantity of narcotics that leave the country.

#### *The legitimate trade and transport infrastructure*

Drug networks rely on legitimate infrastructure to carry out criminal business processes. Large-scale drug shipments, usually hidden between regular goods, often enter the Netherlands via the seaports. The road transport infrastructure is used for smuggling narcotics to European destination countries, usually by car, but sometimes also hidden between regular goods or in lorries that have been equipped with hidden compartments. Export to overseas destinations seems to take place increasingly in postal packages. In addition, the Netherlands has a good financial infrastructure that can be used to arrange shipments of legal goods between which drugs can be hidden. To what extent the international financial infrastructure is misused for money laundering purposes is not clear. A lot of criminal money is spent for consumption and daily household needs. Money is usually laundered through relatively simple constructions, with the deliberate or unconscious cooperation of accountants, notaries or lawyers. The legal infrastructure is therefore important, but it is only one of the factors that make up the business climate for drug crime. It should be noted that neighbouring countries, for example, also have large seaports, an extensive road transport sector and good road networks, as well as a financial and digital infrastructure that is at least sufficient to enable smuggling or producing narcotics.

#### *The role of the government*

Finally, the conceptual model includes the measures that the government may take to promote a less favourable business climate for drug-related crime. In a broad sense, these include repression, prevention and increasing societal resilience. In recent years, public and private parties have taken many initiatives to address factors identified in the conceptual model, increasingly from a coordinated multi-agency perspective.

An important part of a repressive approach is imposing prison sentences. In the Netherlands, only a small number of people are annually sentenced to long-term prison terms in connection with drug-related crime, if they have not committed other offences such as violent crimes. The number of convictions does not reflect the steady increase of the number of criminal cooperatives targeted for interventions. However, whether it would be more effective to impose longer prison sentences is impossible to assess objectively. Criminologists have generally criticised the assumption that harsh prison sentences result in increased deterrence. Furthermore, the goal of incapacitation is more difficult to achieve. Whereas a burglar may not be able to commit similar offenses when detained, crime entrepreneurs involved in drug trafficking can continue to act as information brokers while in prison or continue operations through instructing members of their criminal networks, although they may probably not be able to maintain control over their personnel if the 'boss' will remain imprisoned for a substantial number of years. Instead, criminological research shows that in terms of deterrence the risk of getting caught is more important than the length of (maximum) prison sentences. The Dutch police, in cooperation with foreign counterparts, have recently run several successful operations that rendered a wealth of information on the criminal underworld, particularly by seizing and decrypting the servers of telecom providers who offered mobile phones fitted with 'pretty good privacy' software. These messages are currently being used as evidence in many court cases, and we may assume that this has also affected criminals' perceptions of the risk of being caught.

In recent years, public partners have also stepped-up prevention in the social domain. Several initiatives focus on preventing young people from entering criminal networks, for example via family- and school-based approaches. Administrative prevention measures, in the form of screening applicants for permits and subsidies under the Public Administration (Probity Screening) Act (popularly known as the Bibob Act), have been in place for some time. As mentioned above, local, regional and national governments also implemented other situational prevention measures to disrupt criminal business processes and the use of legal infrastructure in particular, also in cooperation with private parties, such as financial service providers.

Finally, measures can be taken to increase societal resilience. At the moment, the authorities mainly focus on increasing the willingness of citizens and private actors to report signs of subversive crime. In addition, efforts aim at increasing drug consumers' awareness of their contribution to the criminal industry and the negative consequences thereof. Efforts to promote societal resilience can be stepped up, to reduce tolerance of drug-related crime.

## Conclusions

The study has shown that the Dutch 'business climate' for drug crime encompasses more factors than just the legal infrastructure that criminals use. Crime entrepreneurs rooted in the Netherlands have been able to develop their networks over a longer period of time, and today we are dealing with a mature 'drugs industry' in which a variety of expertise is available. Since the 1970s, Dutch criminal networks have made use of the legal trade and transport infrastructure to carry out their illegal activities. However, although the presence of this infrastructure is important, it is not decisive for explaining the current situation.

Crime entrepreneurs based in the Netherlands have ample access to customers at home and abroad and to personnel with appropriate knowledge and expertise. The situation is therefore to some extent comparable with several legal markets in which the Netherlands hold a strong position, such as agriculture, with the important difference that governments can less easily influence the drug market, for instance by means of legislation and regulations, or by incentives, such as subsidies, or disincentives, such as taxation.

Although these conclusions may not seem very encouraging, we draw attention to several findings. Firstly, there does not seem to be a business climate that has made foreign criminal groups decide to settle (permanently) in the Netherlands. The drugs underworld is highly international, however, and representatives of all kinds of foreign criminal groups are present in the country, in relation to the import and export of narcotics. They act as sellers and buyers on behalf of foreign drug networks, co-organise drug shipments, and may be deployed to the Netherlands for specific jobs, such as extraction of cocaine from goods in which it is dissolved. They may combine such activities with using the Netherlands as a (temporary) hiding place. However, in all cases that have come to light, there was evidence of cooperation with Dutch criminal networks instead of independent operations.

Secondly, we have not found compelling reasons why the Netherlands should play a pivotal role in the large-scale import, production and related transit and export of narcotics. The production of synthetic drugs or cannabis could just as easily take place in other (Western) European countries. Nor can we think of any reasons why criminal organisations elsewhere would not be able to import cocaine from South American source countries. The question why small and middle market dealers based in destination countries choose to purchase narcotics in the Netherlands requires further research, but it is assumed to be explained from the presence of professional criminal (drug) networks that offer one stop shopping of various types of narcotics, at a good price/quality ratio and with security of supply.

Finally, we conclude that public and private parties have taken many initiatives to influence the factors that determine the business climate. The conceptual model shows that better disruption of sales opportunities, or *downstream disruption*, would add to this. It is widely recognised that combating subversion, and drug-related crime in particular, is a long-term process. Disrupting the business climate requires imposing a thousand pinpricks rather than searching for hammers. We have unfortunately been unable to identify single measures that would deal definitive blows to the factors that make up the business climate.