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**G** l o b a l i s a t i o n

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# **The Ecstasy Industry**

## **Exploring the Global Market**



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Amsterdam, December 2004

**S**ynthetic drugs will become Public Enemy No. 1 in the period ahead, according to the Executive Director of the United Nations Office on Drugs and Crime (UNODC), Mr. Antonio Maria Costa.<sup>1</sup> “*With determination, with proper communication and acting together, we shall tame this beast as well – though it will take time,*” he announced. During the past 15 years synthetic drugs – and ecstasy (MDMA)<sup>2</sup> in particular – have become the drug of fashion, among users as well as drug control officials. Amphetamine Type Stimulants (ATS)<sup>3</sup> are proving to be a genuine growth market in the drugs industry as well as for drug control bureaucracies. But what do we really know about the global synthetic drug market?

In 2003, the UNODC tried to put together a global overview of that market. The first results were published in its 2003 Global Illicit Drug Trends and in its Ecstasy and Amphetamines Global Survey 2003. The latest figures were made available in UNODC’s World Drug Report 2004. In this issue of Crime and Globalisation, we will take a close look at the figures, with a special focus on a specific part of the global ATS market: the global ecstasy market. This briefing will not look into the perceived danger of ecstasy use. Opinions differ on the health consequences, and on the effectiveness of its prohibition.

It is useful to keep in mind that the real global ATS problem is with (meth)amphetamines, which is more potent and carries more health risks. According to the UNODC’s World Drug Report 2004, about 0.73% of the global population, some 29.6 million people (age 15 and above, annual prevalence), consume (meth)-amphetamines. That is 3.5 times more than global ecstasy consumption, which is estimated at 8.3 million people, 0.21% of the global population.

The Netherlands is considered by most law enforcement and drug control agencies as the world’s major production and trafficking centre for synthetic drugs. According to the United States Drug Enforcement Administration (DEA) “*80 percent of the world’s ecstasy is produced in clandestine laboratories in the Netherlands and, to a lesser extent, Belgium*”.<sup>4</sup> On which basis this

assumption was made is not at all clear; however, given that at the time, attempts to measure the global ecstasy industry were non-existent.

Statistics relied on fragmentary information based on seizures, police operations against specific trafficking and production organisations, and soft intelligence information. Until 2003, the UNODC had been unable to produce reliable statistics on ecstasy-type substances due to incomplete reporting in the Annual Reports Questionnaires (ARQ) filed by the member states on which the statistics are based. Ecstasy is only treated separately from (meth)amphetamines since the revised ARQ was introduced by UNODC in 2001. The lack of adequate data did not enable UNODC to precisely monitor trends in synthetic drug production from year to year.

Notwithstanding the scant information available, the DEA’s ‘80 percent’ is quoted almost everywhere nowadays. Whether or not The Netherlands is the largest ecstasy producer is difficult to say because of the lack of comparable data and independent scientific research. Though seizures are considerable and law enforcement seems successful against trafficking networks connected to The Netherlands, anything occurring elsewhere is largely unknown. Ironically, the paradox of successful law enforcement is that it triggers stigmatisation: i.e. the more you seize, the more you appear to be the source of the problem.

In a recent threat analysis, the Dutch police estimated that the Dutch ecstasy industry supplies approximately 32-42% of the global demand.<sup>5</sup> Although The Netherlands and, to a lesser extent, Belgium are important producer countries, their importance might be less than is generally assumed. The only other plausible explanation is that The Netherlands is losing its primary position. In this briefing, the position of The Netherlands in synthetic drug production and trafficking is described and an attempt made to explain why Dutch groups have gained and maintained prominence on the global ecstasy market since its genesis in the late 1980s.



<sup>1</sup> Statement by the UNODC Executive Director, Mr. Antonio Maria Costa, at the Commission on Narcotic Drugs 46th Session, Ministerial-level Segment, 16 April 2003.

<sup>2</sup> MDMA is the abbreviation of the chemical formula of ecstasy: 3,4-methylenedioxymethamphetamine.

<sup>3</sup> Amphetamine-type-stimulants (ATS) are synthetic drugs that include the chemically related amphetamine, methamphetamine and ecstasy and a range of ecstasy analogues.

<sup>4</sup> *Ecstasy: Rolling Across Europe*, Office of International Intelligence, Drug Enforcement Administration, Arlington: August 2001.

<sup>5</sup> *Nationaal dreigingsbeeld zware of georganiseerde criminaliteit*, Dienst Nationale Recherche Informatie (DNRI), Zoetermeer: July 2004

In 1995, an officer from the Dutch Central Criminal Intelligence Information Service (CRI) compared the Netherlands' position in the ecstasy and amphetamine market to that of Colombia as the main cocaine producer<sup>1</sup> - a comparison popular with foreign law enforcement agencies ever since. The United States 'discovered' the increase in ecstasy use and trafficking in that country around 1995. Seizures at US airports pointed to Israeli trafficking networks, based in part in The Netherlands and supplied by Dutch producers, as the main source of ecstasy bound for the US market. US officials and media reports consequently stressed the role of Israeli and Dutch networks as global players meaning, in fact, that they were heavily involved in the supply to North America.

According to the United States' Drug Enforcement Administration (DEA) in its 2001 report 'Ecstasy: Rolling Across Europe', "80 percent of the world's ecstasy is produced in clandestine laboratories in The Netherlands and, to a lesser extent, Belgium".<sup>2</sup> The Netherlands was also the main source in Europe for amphetamines, according to the DEA, with virtually all shipments going to Britain, Germany or Scandinavia. It was not clear on which basis this assumption was made, however. Till that time, there had been no attempts to measure the global ecstasy industry. Statistics relied on fragmentary information gleaned from seizures, police operations against specific trafficking and production organisations, and soft intelligence information.

Even in The Netherlands at the time, officials acknowledged they had no real overview of the ecstasy industry, despite the existence of a specialised inter-agency law enforcement task force - the Unit Synthetic Drugs (USD). It was established in 1997 to combat synthetic drug production and trafficking in response to critical remarks from European partners

about The Netherlands as the major ecstasy centre. Over time, the USD became an important centre of expertise and an information-clearing house for foreign law enforcement agencies. Despite the information gathered over the years, the public prosecutor coordinating the USD, Martin Witteveen, admitted little or nothing was known about the business volume or identity of the major traffickers.<sup>3</sup>

In the US, the numbers indicating The Netherlands being the source for ecstasy are not always consistent.<sup>4</sup> For 2001, the Bureau for International Narcotics and Law Enforcement Affairs (INLEA) of the US State Department calculated a lower percentage than the 80% of the DEA. In 2001, more than 25.6 million ecstasy pills that could be linked to the Netherlands, were seized throughout the world. Coupled with Interpol figures on world seizures of ecstasy for that year (over 37 million) that amounted to approximately 68%, according to the INLEA's 2002 International Narcotics Control Strategy Report (INCSR). "From case-derived intelligence, the DEA believes the great majority of these tablets were manufactured in the Netherlands," according to the INCSR report. "Some Dutch officials suggest that much of this MDMA is transiting The Netherlands rather than produced there, but evidence to support this assertion is lacking."

The figures for the US market vary between US and Dutch law enforcement agencies. The DEA seized approximately 9.5 million MDMA tablets domestically in 2001. According to figures of the Dutch USD, however, only about 4 million pills seized in 2001 in the US could be linked to the Netherlands. That would mean that approximately 42% of the pills seized in the US originated from the Netherlands. Looking at the destination of the pills with a Dutch connection seized worldwide,

<sup>1</sup> *Nederland produceert de meeste pepillen*, NRC Handelsblad, 26 October 1995.

<sup>2</sup> It is not always clear in subsequent testimonies of DEA officials whether the 80% indicated is the Dutch share of the global or the US market.

<sup>3</sup> *We weten niks over xtc-baronnen*, Algemeen Dagblad, 1 June 2002.

<sup>4</sup> An overview of seizure data in the US is hard to get. Data from DEA's System to Retrieve Information from Drug Evidence (STRIDE) show a sharp increase in the number of MDMA units seized between 2000 (3,341,649) and 2001 (5,575,432). Seizure data from US Customs (USCS) show a decrease in the number of MDMA units seized, from 9.3 million MDMA tablets in FY2000 to 7.2 million in FY2001. One FY2000 seizure of 2.1 million tablets accounts for the disparity, however. There are some overlaps in reporting between STRIDE and USCS seizure statistics. (*National Drug Threat Assessment 2003*, National Drug Intelligence Center, January 2003).

about 6 million were bound for the US, but not necessarily seized in the US. This example shows that different law enforcement agencies use different data, which makes it difficult to really assess market shares.

## Ecstasy production and trafficking

The UNODC concluded in its Ecstasy and Amphetamines Global Survey 2003, that “until recently” The Netherlands was the world’s leader in illicit amphetamine and ecstasy manufacture and trade, but also that The Netherlands and Belgium are still “considered to be the major global source of ecstasy”. Its relative importance seems to be declining as ecstasy production is appearing in other parts of the world. The UNODC looked at three indicators:

1. detection and dismantling of laboratories;
2. seizures of precursors; and
3. seizures of ecstasy pills related to country of origin.

On all three indicators The Netherlands scores ‘best’: “A number of indicators suggest that ecstasy production is concentrated in The Netherlands and in Belgium,” according to the UN. How reliable are these indicators? These global surveys are only an approximation, and the UN will be the first to admit that. First of all, the analysis depends to a large extent on the completion of reporting obligations and how these obligations are met. They are also sometimes subject to negotiations with member states which fear being pinpointed as ‘narco-states’ due to the UN reports.

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### Methamphetamine

While amphetamine is the ATS of choice in Europe, in South East Asia and North America it is methamphetamine. Two-thirds of (meth)amphetamine consumption is in Asia (18 million), mostly in East and South East Asia (particularly Thailand, The Philippines, Japan, Korea and Taiwan). Methamphetamines are produced mainly in Burma and Laos, as well as in Mexico, the US and Canada. Canada and the US together have a considerable domestic market of 3.46 million.<sup>¶</sup>

The vast majority of methamphetamine labs seized worldwide over the last two decades are in the US. Of all globally reported meth labs detections in 2002, 97% were in the US: 9,024 in 2002 (up from 7,990 in 2001). The majority of these labs, approximately 95%, are considered ‘kitchen’ labs capable of producing ounce quantities. The remaining five percent are con-

sidered ‘super-labs’, capable of producing five or more kilos of methamphetamine in a single cook.<sup>¶¶</sup> Despite the vast number of labs seized in the US, the largest (meth)amphetamine consumption and production regions are East and South East Asia.

Laboratories in this region tend to be significantly larger than those usually seized in the US, but detections are less numerous. According to the UNODC’s World Drug Report 2004, over 2001-2002, 87% of global methamphetamine seizures took place in that region as against 13% in North America. Most of the 84 labs detected are in China (68%), Thailand (12%), Burma (11%) and The Philippines (8%). The production capacity of the estimated 40-50 methamphetamine factories in Burma and 20-30 plants in Laos would total 800 million tablets of speed or more each year.<sup>¶¶¶</sup>

¶ UNODC (2004a), World Drug Report 2004, United Nations Office on Drugs and Crime, New York: United Nations.

¶¶ DEA, 2001a. According to the El Paso Intelligence Center’s (EPIC) National Clan-des-tine Laboratory Seizure System (NCL-SS), the majority of the ‘super-labs’ are believed to be tied to Mexican criminal groups and are located pri-mar-ily in the State of California. According to another DEA report on the 6,394 clandestine methamphetamine labo-ra-tories seized in 2000 reported to the National Clandestine Laboratory Database at EPIC, only 126 were super-labs (Drug Trafficking in the United States, Domestic Strategic Intelligence Unit (NDAS) of the Office of Domestic Intelligence, Drug Enforcement Administration (DEA), Arlington: September 2001).

¶¶¶ According to Pitthaya Jinawat, director of the northern drug suppression centre in Thailand. (Speed Smuggled To Thailand In Masses, The Bangkok Post, 24 August 2002).

According to the 2003 global survey, "over the 1999-2001 period, 75% of all seizures of clandestine laboratories producing ecstasy took place in The Netherlands and 14% in Belgium. The two next prominent production sites of ecstasy are the UK (6%) and Germany (4%)." The 75% of seized laboratories relates to total seizures in Europe. Curiously, the Global Illicit Drug Trends 2003 report does not give percentages for worldwide seizures of laboratories. If it had counted seizures of laboratories in the US and Canada, the percentage would go down to 46%. According to the UN, "The next largest production site of ecstasy after Europe is North America. A third of all clandestine laboratory detection occurred in North America over the 1996-2001 period. The clear increase in the seizure of clandestine laboratories producing ecstasy in the late 1990s is an indication that not only imports of ecstasy from Europe, but also domestic production, increased over this period in North America." According to the UNODC, other major sources outside Europe have appeared. The relative importance of Europe may be declining. In the mid-1990s, West European countries reported around 80% of all ecstasy seizures; today that proportion is around 50%.

The UNODC's World Drug Report 2004 looked at the years 2001-2002, the first years for which the revised ARQ's were available. The most striking trend was the increase of ecstasy production in East and South East Asia, while the number of dismantled ecstasy laboratories declined in Europe and remained more or less stable in North America. Of all the reported seized labs (128) in 2001-2002, 43 were in The Netherlands (34%), 26 in the US (20%), 14 in China and Hong Kong (11%), 11 in Indonesia (9%), 10 in Canada (8%) and 8 in Belgium (6%). The number of labs seized is a poor indicator, however, if one does not know the output capacity combined with the time periods in which that capacity is actually used, nor the nature of the lab (just tableting or genuine MDMA production). For instance, in 2001, 17 laboratories were dismantled in the United States. According to the UN, 25 ecstasy labs were seized in The Netherlands

in 2001, though only 15 labs seized actually produced MDMA. The ten other 'labs' were tableting units.<sup>5</sup> As long as more precise information is not available, one could argue thus that in 2001 more labs were seized in the US than in the Netherlands.

In terms of seizures of ecstasy precursors, the UN mentions that the highest figures reported in recent years pertain to The Netherlands (63% of all such seizures over the 1999-2001 period), followed by Belgium (21%). As an indicator, however, precursor seizures are not very reliable. Seizure data typically reflect large individual seizures, or a small number of related cases, resulting in wild fluctuations in the statistics. Seizures often also take place in transit countries. For instance, most precursor seizures in Belgium and Germany have The Netherlands as their destination. An indication that it is difficult to calculate production figures based on seizures of precursors is the situation with one of the main precursors of cocaine, potassium permanganate. The amount of potassium permanganate seized in 2000 and 2001 was equivalent to seven times the total necessary for cocaine production for those years. These huge amounts reflect "the attitude of many clandestine operators to purchase potassium permanganate far in excess of actual requirements from a number of sellers in different countries, anticipating that most orders will not be fulfilled," according to the UNODC.<sup>6</sup>

Regarding the country-of-origin pill seizure indicator, the UN reported that "Three quarters of the countries reported that their imported ecstasy originated in the Netherlands. If only the responses of the countries within Europe are considered, the proportion of The Netherlands as a source country rises to 86%, and is thus higher for ecstasy than for amphetamine (70%). The next most frequently mentioned country of origin was Belgium, apparently reflecting a shift of criminal groups from The Netherlands as controls were tightened." According to the World Drug Report 2004, 69% of ecstasy pills seized originated in the Netherlands, followed by Belgium (24%), Eastern Europe (18%), Germany (16%). Once again, the statistics are not reliable and

<sup>5</sup> Unit Synthetische Drugs, *Jaarverslag 2001*. Helmond: May 2002.

<sup>6</sup> *Global Illicit Drug Trends 2003*, United Nations Office on Drugs and Crime, New York: United Nations.

## The global ecstasy market

The UNODC calculates that nearly 8.3 million people use ecstasy (0.21% of the global population age 15-64). More than a third is concentrated in Europe and more than 40% in North America. The industrialised states in North America, Europe and Oceania together account for some 80% of global ecstasy use. Use of ecstasy, however, is spreading increasingly to Eastern Europe as well as developing countries, notably to the Americas, Southern Africa, and the Near and Middle East as well as South East Asia. In its 2003 overview, the UNODC calculated that some 40% of ecstasy consumption worldwide was concentrated in Europe and, following strong growth rates in recent years, amounted to almost 50% in North America. Western Europe and North America together accounted for around 90% of global use. This quite sudden shift in user data may either reflect rising use in the developing world or, more likely, the improved reporting mechanism of UNODC.

According to the UN, the global market for ecstasy continues to expand, although at a much slower pace than in the 1990s. While there are signs of stabilisation or even contraction in some of the more established markets of Western Europe and North America, and a loss of momentum reported from Oceania, the market is expanding to several developing regions where public resources for prevention and control are scarce. China's synthetic drug market, which is relatively new, has been characterised by an extremely steep increase since 1997. There are indications that this is due to the introduction of ecstasy in that year, possibly overtaking methamphetamine in the recent period.<sup>1</sup> On the other hand, it is not always clear what is considered ecstasy (commonly known as *yaotouwan* or "head-shaking" pills) in China. Ecstasy may relate to ecstasy-type drugs, but they may

Estimated annual production of ecstasy (metric tons)	
Consumption	100 – 125
Pill seizures	50 - 75
Precursor seizures	130 - 200
Mean and range	113 (50 - 200) 1.4 billion tablets at 80 mg per tablet
Source: UN World Drug Report 2004	

(and more likely) relate to drugs that in some way lead to a state of "ecstasy" (i.e. any one – or mixture – of a series of stimulant drugs, including methamphetamine, amphetamine or ketamine).<sup>2</sup>

Unlike traditional plant-based drugs, the production of ATS starts with readily available chemicals in easily concealed laboratories. This makes an assessment of the location, extent and evolution of the production of such illicit drugs extremely difficult, according to the UNODC. Acknowledging the difficulty of quantifying the volume of the illicit ecstasy industry, the UNODC nevertheless made an attempt in 2003 and 2004. Based on three estimates of consumption, pill seizures and precursor seizures, the office calculated an annual production of 113 metric tons of ecstasy (in a range of 50 – 200 tons), or about 1.4 billion tablets.<sup>3</sup> In the UNODC's Ecstasy and Amphetamines Global Survey 2003, the market value was calculated. Based on an average wholesale and retail price of respectively US\$ 7 and US\$ 16.63 per pill that amounts to a wholesale market value of US\$ 9.8 billion and a retail market value of US\$ 23.38 billion. These market value estimates were not repeated in the World Drug Report 2004.

<sup>1</sup> *World Drug Report 2004*, United Nations Office on Drugs and Crime, New York: United Nations, 2004. According to the DEA, Chinese law enforcement officials report significant increases in domestic production of ecstasy. Most production in China is for domestic consumption, but ecstasy tablets also are imported from the Netherlands into China to meet the demand. Some laboratory operators in China mix MDMA powder with substances, such as caffeine, heroin, and ketamine, while making ecstasy pills. Given the availability of the precursors needed, open source reporting indicates that MDMA tablets in China cost only US\$ 0.06 to produce, while the tablets sell for as much as US\$ 9 in Guangzhou and US\$ 27-36 in Shanghai and Beijing. (*China Country Brief 2003*, Office of Strategic Intelligence, Drug Enforcement Administration, Arlington: February 2004.)

<sup>2</sup> *Amphetamine-Type Stimulants in East Asia and the Pacific*, United Nations Office on Drugs and Crime Regional Centre for East Asia and the Pacific, Bangkok: April 2004.

<sup>3</sup> The UNODC estimates that 10% of pills and precursors are seized.

## The global ecstasy market

How reliable are these figures? Looking at the figures for consumption, the estimate appears to be exaggerated. According to the UNODC, taking into account occasional, moderate and heavy use, studies show that, on average, the eight million ecstasy users consume about three tablets per week – or about 150 a year. This amounts to an annual requirement of about 1250 million tablets, or 100 to 125 tons of MDMA (each tablet contains 80–100 mg). The UNODC seems to confuse annual prevalence – that includes the one-time user that might have taken a pill to experiment – with a much smaller group of ‘experienced users’ that take ecstasy regularly. In a recent study of the Dutch drug market commissioned by the Dutch National Criminal Investigation Service (DNRI), it was estimated that the consumption per user is more likely in the range of 20–40 pills per year, based on studies in Canada, the UK, Germany and The Netherlands.<sup>1v</sup> According to experts, that figure is much more realistic and would even lean towards the lower end of the range. Using the UNODC’s estimate of 8.3 million users worldwide that would amount to a global demand of 166–332 million pills per year. This is significantly lower than the 1.4 billion pills per year of the UNODC.

Calculating market values depends on what is considered wholesale, intermediate or retail and the different market settings around the world. For instance, in The Netherlands (after all, the largest producer according to the UN), wholesale prices are much lower than the US\$ 7 of the UN, which would be equal to the higher range of retail price in The Netherlands. According to the USD, ecstasy prices per tablet on the wholesale and intermediate markets are € 0.90 (from production ‘off tableting’ locations), € 1.50 (wholesale) and € 2.70 (inter-

mediate level).<sup>v</sup> During field research, informants said the price per pill depended on amounts purchased. At the wholesale and intermediate levels prices ranged between € 0.35–0.40 (for lots of 100,000 pills) and € 1.50 for 100 pills.<sup>vi</sup> Street prices in some of the major consumption countries are not a good indicator either as it depends on the setting. Research in several countries found that users often tend to buy larger quantities at a lower average price to be distributed among friends and acquaintances. The average retail price of pills therefore tends to be lower than the price of pills sold in clubs or at dance festivals.

A rough estimate by an analyst of the Dutch USD calculated an annual world market of 500 million pills with a wholesale market value of € 0.8 billion (US\$ 0.96 billion) and a retail market value of € 5 billion (US\$ 6 billion).<sup>vii</sup> The average wholesale price (€ 1.60 or US\$ 1.92) and retail price (€ 10 or US\$ 12) per pill used by the USD analyst are much more realistic. The study for the DNRI did not try to estimate market values but, using the figures of the USD analyst, the market values would be € 266–532 million (US\$ 319–637 million) wholesale and € 1.7–3.3 billion (US\$ 2–4 billion) retail market value. In other words, among police organisations calculations are significantly lower than the UN estimates. The reality is that the data currently available are rather crude and unbalanced. Any estimate about global annual production and markets values turns into an inadequate guesstimate. For instance, annual prevalence data are generally not available outside the European Union, North America and Oceania. The significant consumer market in East and South East Asia is largely unknown.

<sup>1v</sup> Van der Heijden, A.W.M. (2003), *De Nederlandse drugsmarkt*, Dienst Nationale Recherche Informatie (DNRI), Zoetermeer: November 2003.

<sup>v</sup> Unit Synthetische Drugs, *Jaarverslag 2001*. Helmond: May 2002. Based on quantities of 750,000.

<sup>vi</sup> Blickman, T., D. J. Korf, D. Siegel and D. Zaitch, ‘Synthetic Drug Trafficking in Amsterdam’, in *Synthetic Drugs Trafficking in Three European Cities: Major Trends and the Involvement of Organised Crime*, Turin: Gruppo Abele, 2003

<sup>vii</sup> Based on 40 million pills seized worldwide and average seized percentage of 8%, combined with an estimated weekend use of 10 million pills worldwide and 20% of the 200 tons of PMK illegally produced annually (according to the World Customs Organisation). Fossen, C.M., ‘Risk analysis, developments 1998 to the present’, presentation at the *International Synthetic Drug Enforcement Conference (SYNDEC) on International Cooperation*, Scheveningen, 8–9 October 2003

comparison of various national figures is difficult due to different means of reporting. A case in point is the numbers for Germany. For the year 2001, the German Bundeskriminalamt (BKA) recorded 264 cases involving 2,710,417 pills that could be linked to the Netherlands, while the Dutch USD recorded 119 cases in Germany involving 4,344,989 pills.<sup>7</sup>

### The ecstasy industry in The Netherlands

According to a study in 2003 commissioned by the Dutch National Criminal Investigation Service (DNRI) – a newly established national police agency in which the USD was incorporated – the Dutch ecstasy industry supplies approximately 78-131 million pills annually worldwide (7-13 million for the domestic Dutch market, 43-73 million pills for the EU market, and 28-48 million pills to the rest of the world). Based on the share of pills consumed (on average 19 million are intercepted annually), the 65-99 million pills would amount to 32-42% of the global demand supplied by Dutch ecstasy production.<sup>8</sup> This is significantly less than the proportion normally cited by the DEA or UNODC, and would suggest that either the position of The Netherlands as a producer has been over-rated, or that it is losing its primary position.

Belgium, Germany and, increasingly, Poland are becoming more important production countries in Europe. Other countries in Eastern Europe also seem to be emerging as producers. Outside Europe, the Dutch position is challenged by increased production in China, South East Asia and the Pacific, often with a link to Chinese crime networks and, some-

times, Dutch expertise. North America seems to have maintained its own level of production. Supply in The Netherlands seems to be abundant, however, and wholesale and retail prices are dwindling. The market in Amsterdam (allegedly one of the world's major international marketplaces) is saturated and is changing from a *seller's market* to a *buyer's market*, according to informants. Retail prices in Belgium and Germany are reaching the low prices in the Netherlands.<sup>9</sup> Nonetheless, according to USD officials, the easy availability from local criminal groups and the low price of ecstasy in the Netherlands, as well as the links to experienced trafficking organisations, serve as disincentives to foreign ecstasy traffickers setting up their own domestic production chains. In other words, common reasoning seems to be: Why bother taking the risk of setting up a complex production infrastructure when ample supply can be found somewhere else? On the other hand, more and more labs have been discovered outside the Netherlands. According to the USD, "*more and more signals indicate The Netherlands can no longer be labelled as the exclusive producer of synthetic drugs.*"<sup>10</sup>

Why Dutch groups have gained and maintained prominence on the global ecstasy market since its genesis in the late 1980s is still very much an open question. Assuming Dutch criminals are no more intelligent or daring than those of any other nationality, a combination of factors has more than likely contributed to a (probably momentary) advantage and predominance in the illicit ecstasy. These factors are both structural and accidental (specific factors occurring in the right place at the right time). None of these factors are unique for The Netherlands, but the combination at the right



<sup>7</sup> *Rauschgiftjahresbericht 2002 Bundesrepublik Deutschland*, Lagezentrale Rauschgift, Bundeskriminalamt (BKA), Wiesbaden: 2002; USD 2001, 2002.

<sup>8</sup> Van der Heijden, A.W.M., *De Nederlandse drugmarkt*, Dienst Nationale Recherche Informatie (DNRI), Zoetermeer: November 2003. The calculations were based on prevalence data combined with use patterns and analysis of chemical waste from ecstasy labs and illegal waste dumps.

<sup>9</sup> Blickman et al. 2003; Korf, D., T. Nabben and A. Benschop, *Antenne 2000. Trends in alcohol, tabak, drugs en gokken bij jonge Amsterdammers*. Amsterdam: Rozenberg Publishers, 2001. According to an observer with contacts in the ecstasy scene in the south of the country and the Randstad, the "*business is on its beam ends*". At the wholesale level, ecstasy pills go for € 0.45 or € 0.90, while they used to do € 2.25 or € 2.75. "*If you might sell them at all, because stocks are everywhere.*" See: *De criminele landkaart verandert*, BN/DeStem, January 4, 2001.

<sup>10</sup> Blickman, T., D. J. Korf, D. Siegel and D. Zaitch, 'Synthetic Drug Trafficking in Amsterdam', in *Synthetic Drugs Trafficking in Three European Cities: Major Trends and the Involvement of Organised Crime*, Turin: Gruppo Abele, 2003; USD 2001, 2002; *Laboratoria xtc gaan weg uit Nederland*, Het Parool, 15 March 2002. The fact that Dutch citizens appear to be involved in ecstasy production abroad may also have to do with the assistance of the USD in dismantling labs across the border. The USD is, of course, concentrating its efforts on Dutch groups.

moment in time created and reinforced a dynamic that led to a much earlier and quicker development of the industry than anywhere else. Once that position was established, impending competitors would have difficulty challenging it until a more favourable set of conditions are in place somewhere else and/or the conditions in The Netherlands deteriorate. Below, several of the most important factors are described.

### 1. The availability of 'routine socio-economic activities'

The natural geographic position of The Netherlands has contributed to making it the distribution centre of both licit and illicit goods inside Europe and from Europe to the rest of the world. It has created a longstanding tradition as a trading and industrial nation with a well-developed distribution industry and expertise in transport and industrial logistics and services as well as a well-developed financial sector. Excellent

*The natural geographic position of The Netherlands has contributed to making it the distribution centre of both licit and illicit goods inside Europe*

transport connections and the presence of several vital transport hubs along many international trade routes (e.g. Rotterdam harbour and Schiphol airport near Amsterdam) offer international traffickers great possibilities for moving illegal goods.<sup>11</sup> Rotterdam is by far the biggest seaport in Europe (and an important transit point for chemical products) and Amsterdam ranks fifth. Moreover, yet another major European port lies nearby in Antwerp in the north of Belgium. All three are smuggling centres; not only for cocaine from Colombia but also bulk loads of the main precursor for ecstasy, PMK, hidden in large shipments of chemicals from China, which find their way through the extensive port facilities.

<sup>12</sup> Schiphol International Airport near Amsterdam is a major hub and ranks fourth in Europe, behind London, Paris and Frankfurt,<sup>13</sup> and third in freight, handling just over one million tonnes a year. These transport hubs are by nature extremely difficult to control since the intensity and concentration of large flows of goods and passengers requires rapid processing. In addition, there is a broad commercial logistics sector that redistributes goods overland throughout Europe via a large fleet of trucks.

The Netherlands has a significant chemical production and trade sector with about 2,400 companies nationwide, which is convenient in the case of chemically produced drugs like ecstasy. To produce ecstasy, organisations need precursors and other chemicals as well as laboratory equipment that can be obtained on the legal market. Since the law on the 'Prevention of Abuse of Chemicals' came into force in July 1995, controls have become stricter and

some of the raw materials used for synthetic drug production have been classified in a licensing system for 23 chemical substances in three categories with an obligation to report 'dubious transactions' in relation to these substances. Tableting machines and other lab equipment are not under any licensing system. The problem is that (apart from the precursors BMK and PMK) most chemicals have broad legal uses in the chemical industry. Illegal use accounts for only a small percentage of all use and too many controls could damage liberalised legal economic activity. Legal suppliers are thus still wittingly or unwittingly involved in selling chemicals and equipment to ecstasy producers. There is

<sup>11</sup> Fijnaut, C., F. Bovenkerk, G. Bruinsma and H. van de Bunt, 'Eindrapport georganiseerde criminaliteit in Nederland', *Enquête Opsporingsmethoden*, Bijlagen VII, Kamerstuk 24072 nr. 16, Tweede Kamer, vergaderjaar 1995–1996. The Hague: SDU, 1996.

<sup>12</sup> Zaitch, D., *Trafficking Cocaine: Colombian Drug Entrepreneurs in the Netherlands*. The Hague: Kluwer Law International, 2002; Kleemans, E., M. Brienens, H. van de Bunt, *Georganiseerde criminaliteit in Nederland. Tweede rapportage op basis van de WODC-monitor*, Onderzoek en beleid nr 198. The Hague: Ministerie van Justitie, Wetenschappelijk Onderzoek- en Documentatiecentrum (WODC), 2002.

<sup>13</sup> When controls at Schiphol increased, traffickers moved to the airports in Paris, Frankfurt, Brussels and London that can be reached in a few hours because of good overland connections.

always a weak link in the chain when a lot of extra money is involved.

The trucking industry is very vulnerable. Not only must companies depend on drivers who might want to earn some extra money on the side, traffickers also sometimes smuggle drugs aboard as a stowaway load picked up somewhere else. Due to stiff competition in the transport sector, a lot of small trucking companies and one-man businesses have difficulty surviving. Some drug trafficking groups monitor the sector to target those with financial problems and offer them a way out by transporting drugs. Trafficking groups may also set up front stores in the transport sector or take over insolvent companies. Ecstasy producers set up front companies, such as paint factories or chemical waste removal companies, to acquire the necessary equipment and chemicals (or dispose of chemical by-products). The black market and trafficking in precursors have become very lucrative because of administrative and police controls. Precursors are now mainly purchased from chemical companies abroad: in Eastern Europe (sometimes co-owned by criminal groups) and China. Some producers have shifted to manufacturing their own precursors with chemicals or pre-precursors not scheduled under the law.<sup>14</sup>

Producers and traffickers also use employees of legal companies. Chemists, who have worked in large chemical companies, have helped mediate the supply of chemicals, and the contacts of one chemist with Chinese chemical producers were used. Another way of camouflaging activities is to invest in a moribund bonafide company and force it to

perform certain services (stock of drugs, transports, intermediary for the purchase of precursors).<sup>15</sup>

This range of so-called 'routine socio-economic activities' contributed to the Netherlands' emergence as an illicit distribution centre for all kinds of drugs even before ecstasy became a popular drug.<sup>16</sup> The licit economic structure is tapped by criminal entrepreneurs. Over the last 25 years, a semi-licit grey infrastructure has developed that facilitates the use of the goods and services of the licit economic by the illicit one. The city of Amsterdam developed as an international marketplace for drug transactions. Amsterdam is "rather unique in that every type of drug-smuggling and distribution organisation is represented for strategic and logistical purposes. It is an organisational centre, a central brokerage point and a safe haven", according to a DEA report of June 2000. "Dutch hashish traffickers are increasingly distributing heroin, cocaine and amphetamine to other countries. This 'poly-drug' activity is being encountered more and more frequently." The Netherlands is probably one of the most important drug trafficking and transiting area in Europe, according to the DEA and the British National Criminal Intelligence Service (NCIS).<sup>17</sup>

The ecstasy business simply tagged along and Amsterdam became the 'logistical centre' for the ecstasy business. Foreign export organisations have rather easy access to suppliers due to the large number of different nationalities in the city. Along with the goods, Amsterdam offers the necessary human resources, which makes it a 'full service' market. The Netherlands and Amsterdam, in particular, offer "an interna-

<sup>14</sup> Houben, H., 'Een eerste verkenning': Fenomeenonderzoek Synthetische Drugs. Den Bosch: Interregionaal Rechercheteam Zuid-Nederland, 1996.

<sup>15</sup> Kleemans, E., E. van den Berg and H. van de Bunt, *Georganiseerde criminaliteit in Nederland. Rapportage op basis van de WODC-monitor. Onderzoek en beleid nr. 173*. The Hague: Ministerie van Justitie, Wetenschappelijk Onderzoek- en Documentatiecentrum (WODC), 1998.

<sup>16</sup> Farrell, G. (1998), 'Routine Activities and Drug Trafficking: The Case of the Netherlands', *International Journal of Drug Policy*, 9: 21–32; Farrell noted a connection between the low prices for illicit drugs in The Netherlands and the importation of these substances that could be related to the volume of licit international trade. The main principle behind the theory of 'routine socio-economic activities' is that crime starts in areas where there are potentially motivated perpetrators and suitable targets while proper surveillance is lacking. Under these circumstances the routine activities of potential criminals offer opportunities for crime. From this theory, one can deduce that the smuggling of illegal goods 'tags along' with the trade in legal goods (Van der Heijden, 2001).

<sup>17</sup> Huisman, W., M. Huikeshoven and H. van der Bunt (2003), *Marktplaats Amsterdam*, The Hague: Boom; National Criminal Intelligence Service, *UK Threat Assessment 2002*. London: NCIS 2002; *Europe fails to stem rising drug tide*, The Guardian, 29 August 2000.

tional meeting point for potential partners, operations and intermediations to arise: native Dutch, British, Colombians, Surinamese, Antilleans, Turks, Yugoslavs, Russians, Israelis, Chileans, Italians, all nationalities likely to be found and linked in The Netherlands.”<sup>18</sup>

Amsterdam is the centre of ‘organised crime’ in the Netherlands. The USD considers the local crime scene (mainly native Dutch at its top level) one of the world’s main ecstasy producers. The necessary links and methods of setting up (new) trafficking lines are easy to find through the existing contacts in the overall drug trade. USD officials say 70% of their ecstasy investigations nationwide are linked with the Amsterdam area and production is shifting more and more from the southern provinces where it was located traditionally to the capital and the adjacent region. International transactions, which are now the main outlet for the industry, are concentrated in the city. The USD discovered an increase in so-called ‘cocktail’ drug transports, indicating the existence of specialised trafficking organisations stockpiling several kinds of drugs in The Netherlands for further distribution throughout Europe, mainly the United Kingdom. “Most UK traffickers appear to obtain their supplies from The Netherlands, and therefore have potential access to more than one type of drug,” according to the NCIS. British nationals act as brokers in Amsterdam.

For those familiar with the drug business, it is a simple matter to find the initial contacts needed to set up a trafficking line. Pills need not even be physically available when conducting business. During an investigation into an Israeli trafficking network, the main organiser acted as a broker arranging supply for different trafficking operations and an intermediary between Dutch producers and clients based abroad (in the US, Canada and Australia). He called around the world with his six

or seven GSM phones. He likely never even saw the ecstasy pills. “We see international traffickers fly in, check in to one of the top luxury hotels, make their deals and then leave,” says a criminal investigator at the inner city district office of the Amsterdam police. Pills are sometimes produced and delivered ‘on request’. “This can take place at remarkable speed. Traffickers book a night in the Hilton and order pills in the evening, which are subsequently produced and ready to be picked up the next morning after breakfast.”<sup>19</sup> This pattern is not found exclusively at the wholesale level. A police officer gave one example of a US citizen who tried to buy just 7,000 pills.

## 2. The characteristics of organised crime in The Netherlands

The Dutch underworld is predominantly composed of frequently overlapping, business-oriented networks. There is hardly any tradition of territorial control, monopolies or protecting a specific market niche.<sup>20</sup> Organised crime in The Netherlands is characterised by cross-border movements of people, money and goods – so-called transit criminality with extensive international connections. The stereotype of a hierarchical, pyramidal criminal organisation hardly exists in the Netherlands. The traditional perception of organised crime had already been questioned by field research into the local drug market in Amsterdam in the early 1990s.<sup>21</sup> Cannabis and cocaine importing organisations and laboratories for amphetamines and ecstasy were not smooth running, long-term operations. Each import and production operation was a project in itself, which could function for some time (even years) within a set framework and operated by the same people. In general, they were temporary joint ventures.

Instead, a much more diverse picture emerged: one of extended fluid networks involving a

<sup>18</sup> Huisman et al., 2003; Zaitch, 2002a, p. 251.

<sup>19</sup> Blickman et al., 2003; Interview with a drug expert on the Rotterdam police force in: *Ondanks tanende rol blijft Nederland ‘hofleverancier’ van xtc*, Rotterdams Dagblad, 8 December 2000.

<sup>20</sup> Van Duyne, P.C., R.F. Kouwenberg en G. Romein (1990), *Misdaadondernemingen; ondernemende misdadigers in Nederland*, Gouda Quint, Arnhem; Van Duyne, P.C. (1995), *Het spook en de dreiging van de georganiseerde misdaad*. The Hague: SDU; Fijnaut et al., 1996; Kleemans et al., 2002; See also: Klerks, P., *Groot in de hasj. Theorie en praktijk van de georganiseerde criminaliteit*, Antwerp: Kluwer, 2000.

<sup>21</sup> Korf, D. and H. Verbraeck, *Dealers en Dienders*. Amsterdam: Criminologisch Instituut Bongers (Universiteit van Amsterdam), 1993.

multitude of individuals, often formed into 'cliques' or groups, either connected by means of loose or close relationships or with the capacity to establish those kinds of relationships rather easily if necessary through 'friend of friends'. Within those networks are 'nodes' and persons with more power than others. Many of these relationships are not very stable. Specific interests of groups and personalities of bosses can clash, leading to dissolution of the cooperation or even violent conflicts. New 'action-sets' then arise to 'do the job' by means of shared investments, lending out logistics and/or employees or forming longer-term coalitions.<sup>22</sup> Criminal co-operation is often directed towards gaining reciprocal benefits or resolving mutual problems. Groups pool resources and contacts to obtain precursors and formulas, especially at the ecstasy production level, where supplies of raw materials and production tools are a problem. Semi-manufactured products are also exchanged. This way, 'buffers' are created to counter the uneven supply of precursors. Criminal groups seem to act more as 'partners in crime' than competitors.<sup>23</sup> The synthetic drug market is a 'free market', according to USD officials. Anyone can move in with the right contacts.

One case description shows the level of co-operation and exchange at the production and 'first hand' distribution (i.e. first buyer from producer) levels. The case involved a group operating in the southern part of the Netherlands. Five individuals in this group were involved in synthetic drug production. They closely collaborated with about six other Dutch criminal groups also involved in producing and trafficking synthetic drugs, but who were implicated in other criminal activities as well. Co-operation between the groups included supplying precursors, means of production and end products, as well as exchanging personnel and expertise. Various chemists worked for several groups. A chemistry professor

taught one group to produce ecstasy, while a lawyer provided another group with the formula for ecstasy he had found in court files. Some of the groups and individuals were large-scale suppliers of precursors and production equipment bought at ordinary chemical businesses, second-hand markets or through front stores in Eastern Europe. Deliveries were made from the southern provinces of Limburg and Brabant, and the Amsterdam area. Some groups were also involved in setting up laboratories in Eastern Europe. One of the groups used a mobile lab in a steel container on a truck. Another group operated a very sophisticated lab built partly underground. Amphetamines were smuggled to Scandinavia, the UK and Amsterdam markets. Ecstasy was mainly distributed to Amsterdam and the UK, but also to Italy and Spain. When one group had a shortage, they bought from another, and batches of amphetamine were exchanged for ecstasy.<sup>24</sup>

### 3. Historical advantages

These patterns of organised crime activities and the existence of a broad set of beneficial 'routine socio-economic activities' in the legitimate economy were some of the preconditions for the emergence of a very dynamic and flexible illicit industry in The Netherlands in the late 1980's, when ecstasy became a popular drug and part of a new youth culture. Two historical advantages proved to be very beneficial. First, prior to the emergence of ecstasy as a popular drug, local criminal groups in the southern provinces of Limburg and North-Brabant, on the other side of the border in Belgium, had established a primary role in producing and trafficking amphetamines to Scandinavia (where amphetamines were very popular), the UK and Germany in the 1960s and 1970s. These southern producers traditionally had ties with large-scale hashish traffickers in the west of the country in the *Randstad*.<sup>25</sup>

<sup>22</sup> Fijnaut et al., 1996: 55-56.

<sup>23</sup> Kleemans et al., 1998: 66.

<sup>24</sup> Houben, 1996

<sup>25</sup> The Netherlands is a densely populated country of towns. None of the main cities, such as the financial centre Amsterdam, the government centre of The Hague and the economic hub of Rotterdam, Europe's largest seaport, has more than a million residents, however. All three of these key national centres are concentrated in the western part of the country no more than an hour apart by train or car. This metropolitan area is often referred to as one single metropolitan area, the *Randstad*.

These groups managed to control a significant segment of international hashish trafficking during the 1980s.<sup>26</sup>

Expertise in production and trafficking were thus available, as well as the financial resources to set it up. According to one USD official, the amphetamine producers were a rather small sector at the time. Law enforcement identified four major professional amphetamine laboratories in the 1980s: three in the south of The Netherlands and one in the western part of the country. The names of those 'amphetamine pioneers' return in current investigations into the ecstasy industry. One of the sons of such an amphetamine pioneer also entered the ecstasy business. The southern amphetamine producers did not initiate ecstasy production but learned quickly when ecstasy appeared to be popular.<sup>27</sup>

Second, The Netherlands and Belgium were among the first countries where the new youth culture developed. Ecstasy came to The Netherlands in the 1980s through alternative circles and trend-setting globetrotters who had their first experiences in Goa or Ibiza and the subsequent 'summer of love' in the United Kingdom. The first dealers and producers were of the 'aficionado-type', people who used ecstasy themselves and sold to friends and acquaintances. The real expansion came in the late summer of 1988 when the first large-scale house parties were organised in Amsterdam. People from this scene set up the first small labs in The Netherlands. There were virtually no links to the more traditional underworld. Some of the organisers of these house parties kept ecstasy distribution to themselves; either to launder

their profits or to ensure good quality ecstasy was available. Some of the house-scenes fell apart in those days because of bad quality pills. Amsterdam also became one of the distribution centres for the rest of Europe. Pills were smuggled from Amsterdam to London and Ibiza (which was also supplied from Spain itself).<sup>28</sup>

The international character of the new youth scene was instrumental to the spread of Dutch-produced ecstasy. Raves were organised all over Europe with international participation. According to a small-time Dutch trafficker who was part of that scene in the mid-1990s, many would look to Dutch participants for the supply of cheap ecstasy pills. The

more entrepreneurial among them grasped the opportunity and contacts were used to supply pills also outside the raves. They hid their supplies in cars or swallowed amounts of 750-1000 pills and travelled across Europe. Small ad-hoc networks of independents formed the

main distribution channels in Europe. The absence of border controls in the EU facilitates smuggling by independents or 'crews' – loose associations of people, which form, split, and come together again as the opportunity arises – willing to take the chance because of price differences in Europe.<sup>29</sup>

Until 1988 and 1989, most ecstasy tablets in trend-setting Amsterdam were still imported. In 1989, ecstasy in pills and powder came from Spain. Some MDMA was imported from the US in powder form and tableted in The Netherlands, and there was also a small supply of powder, capsules and badly produced,

*The international character of the new youth scene was instrumental to the spread of Dutch-produced ecstasy*

26 Fijnaut, C., 'Georganiseerde criminaliteit in Nederland: De rol van autochtone criminele groepen', *Enquête Opsporingsmethoden*, Bijlagen VIII, Deelonderzoek I, Kamerstuk 24072 nr. 17, Tweede Kamer, vergaderjaar 1995–1996. The Hague: SDU, 1996: 19ff.

27 Husken, M. and F. Vuijst, *XTC smokkel*. Amsterdam: Meulenhoff, 2002.

28 De Loor, A., *Het middel ecstasy bestaat niet*, Stichting Adviesburo Drugs, Amsterdam 1989 (1995); Adelaars, A., *Ecstasy. De opkomst van een bewustzijnsveranderend middel*. Amsterdam: In de Knipscheer, 1991; Korf & Verbraeck, 1993.

29 Interview with Dutch trafficker, December 2004; Gruppo Abele, 2003; Paoli, L., N. Güller and S. Palidda (2000), *Pilot Report to Describe and Analyse Local Drug Markets. First Phase Final Report: Illegal Drug Markets in Frankfurt and Milan, Lisbon, EMCDDA*.

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crumbly pills – with different levels of MDMA or related substances like MDA, PMA etc.– from small domestic labs that developed as part of the scene. In the spring of 1989, most ecstasy pills were so-called ‘Stanleys’, manufactured on a large scale by the German chemical company *Imhausen* just before ecstasy production was prohibited. These pills were industrially produced, and had a constant purity of 110 mg of MDMA. When ecstasy was put on the list of drugs with ‘unacceptable risks’ in the Dutch Opium Act in November 1988, observers at the time stated that ‘bonafide’ ecstasy producers who were part of the rave culture at the time, increasingly left the market and some of the initial dealers retreated from the open circuit of discotheques and house-parties. The traditional amphetamine producers and experienced hash traffickers increasingly filled the gap.<sup>30</sup>

As the market started to expand, some of these groups combined their expertise in amphetamine production and their profits from hash trafficking to replace the original producers who came from the user scene themselves but shied away when the business became tougher.<sup>31</sup> They had little to no experience in running a clandestine enterprise, let alone the financial resources to back it up. The first professionally manufactured pills from illegal laboratories appeared on the Amsterdam market in the spring of 1990, according to observers at the time, and several different types of pills quickly arrived on the scene. From the summer of 1989 until the summer of 1990, real ecstasy was difficult to find. By the end of 1991, the supply of good quality pills was no longer a problem.<sup>32</sup>

In February 1992, a major ecstasy production and trafficking organisation was dismantled. Leaders of this group belonged to the established underworld of Dutch criminal organisations in Amsterdam and Rotterdam that had become major players in national and international hashish trafficking in the 1980s.

The group owned labs, imported precursors from Belgium and ran export trafficking lines, mainly to the UK. It even ran a counter-surveillance operation to check on police activities. It produced millions of pills within its ten months of operation and had an estimated business volume of € 135 million according to forensic experts. Profits were estimated at € 33 million though in the end only some € 7 million were confiscated. One of the key organisers was Belgian physician Danny Leclère, also known as the ‘ecstasy professor’ because he had apparently revolutionised the production process. He had learned the tricks of the trade from the southern ‘amphetamine cooks’. Leclère used to organise hashish transportation with the established hash entrepreneurs of the 1980s.<sup>33</sup> This was a clear indication that the traditional underworld had established itself in the ecstasy market, particularly the export market.

According to a police report, by the mid-1990s most producers were in the business for the money and were no longer the ‘aficionado type’. The bottleneck in the business was, and still is, the supply of hard-to-get precursors, in particular PMK. In July 1995, the law on ‘Prevention of Abuse of Chemicals’ came into force. The law tightened controls and put the raw materials used for synthetic drug production under the control of a licensing system. To obtain precursors, traditional amphetamine producers had the advantage of previous experience in obtaining the main precursor for amphetamine, BMK, which is scheduled under the same control mechanism and could be produced by the same chemical manufacturers. Ecstasy producers needed contacts either within the chemical industry, companies abroad where controls were less strict or within the black market. The result was that small independent producers were even more marginalised, and the business became monopolised by big ecstasy producers with ties to ‘organised crime’ able to procure the necessary chemicals illegally.

<sup>30</sup> Adelaars, 1991; Korf & Verbraeck, 1993. *Drugsspecialisten: XTC-markt is vervuild*, NRC Handelsblad, 16 April 1992. See also: Van Duyne, P., *Het spook en de dreiging van de georganiseerde misdaad*. The Hague: SDU, 1995.

<sup>31</sup> Houben, 1996

<sup>32</sup> Korf & Verbraeck, 1993

<sup>33</sup> Van Duyne, 1995; Fijnaut et al., 1996; Husken & Vuijst, 2002. See also: *Grote drugsbende bij actie opgerold*, NRC Handelsblad, 15 February 1992; *De strijd tegen de georganiseerde misdaad*, NRC Handelsblad, 21 July 1993.

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The production and distribution chain is sometimes divided according to certain stages in the process (acquisition of precursors, production of ecstasy powder, tableting, distribution, disposal of chemical waste by-products). Some of the groups involved in a particular stage do not necessarily know other parts of the organisation. Synthesis often takes place at a different site from that where the chemicals are processed, mixed or tableted. There are, however, still also small groups of two or three people who manage the whole production process as well as the initial distribution stage. According to one mid-level dealer, large producers with ties to organised crime presently have a monopoly, providing 90% of the Dutch domestic market and exporting some 80-90% of their production. Original small producers, who manufactured small amounts for their own networks, have been pushed out of the market, mainly because intensified precursor controls made it more difficult to get hold of the raw materials. One informant stated that in the old days a few 'hobbyists' might produce a few kilos of MDMA tableted in a few runs. Nowadays, big producers deliver pills from 100 kilos of MDMA in just one run.

The ecstasy market expanded both nationally and internationally and established criminal groups have become more entrenched. This has resulted in the following dynamics: (a) a scaling-up of the business in production and trafficking; (b) professionalisation and concentration of production and trafficking; and (c) extension of the range of activity. Compared to the early 1990s, production shifted from home labs to bigger professional labs; trafficking shifted more to export with larger amounts of tablets; and the amounts involved in wholesale and mid-level dealing have increased. The original 'aficionados' and 'hobbyists' have been replaced by criminal organisations in the business for the money. On the whole, the impression is that a more commercial, business-like attitude has replaced the original 'alternative' characteristics of the ecstasy industry. Another reason for the apparent dominance of large-scale producers may be that they are sim-

ply more competitive. They lead the market because they are able to produce higher quantities at a cheaper price. Small labs have no substantial part of the market because they simply cannot produce in bulk. The market seems to be saturated and because the domestic market is relatively small, the export of pills has offered the main sales potential.

#### 4. Specific law enforcement actions

Paradoxically, Dutch police unwillingly promoted ecstasy production in the early mid-1990s. In an attempt to bring down criminal organisations involved in ecstasy production, some prosecutors and criminal intelligence officers allowed an undercover agent to infiltrate several organisations of ecstasy producers. This operation was part of a desperate attempt to crack down on drug trafficking networks after Dutch law enforcement authorities discovered in the mid-1980s that in the previous decade some rather large hashish trafficking organisations had developed which operated on an international scale. At the time, these criminal organisations had also become involved with ecstasy production and trafficking. Initially, the cure proved to be worse than the disease. Irregularities led to the biggest law enforcement crisis ever in The Netherlands. In their eagerness to 'score', certain prosecutors and segments of the police ignored a good part of the penal code and began long-term secret investigations aimed at 'the upper levels of organised crime'.

They embarked on a series of controversial investigation techniques (involving criminal undercover agents, large-scale uncontrolled drug deliveries, illegal phone taps, clandestine house searches, etc.) in an attempt to bring down these criminal organisations. The use of undercover agents to incite people into trafficking is not allowed by Dutch law. Law enforcement officers tried to find their way around these limitations, however. One such method was to resort to long-term infiltration, permitting criminal organisations to go on trafficking dozens of tonnes of cannabis,<sup>34</sup> with active

<sup>34</sup> According to observers, diplomatic and operational pressures from the US had led to the acceptance of these so-called pro-active policing methods in The Netherlands (Klerks, 2000). There were even rumours that 15,000 kilos of cocaine had been smuggled into The Netherlands by the same means, though later investigations dismissed that possibility.

support from the police themselves. The idea was to target the leaders of the organisation, who were never actively involved in the criminal groundwork, rather than arresting the lower ranks of drug trafficking organisations. Long-term infiltration was used to cultivate informers at the top. In order to build their credibility, active co-operation by the police with drug traffickers was deemed necessary to demonstrate the ability of the informers to deliver. In the end, it became completely unclear who had the lead in these operations: the criminal intelligence section of the police or the criminal organisations themselves.

Several major ecstasy transportations to the UK were condoned. Even more controversial was that some criminal intelligence officers allowed a criminal undercover agent – a fairly small-time criminal known as *The Snail* – to infiltrate several organisations of ecstasy producers. First, he learned the tricks of the trade from one of the traditional southern amphetamine cooks. When that man was arrested, *The Snail* instructed others how to produce ecstasy, supplied precursors and lab equipment, built labs and high pressure autoclaves and made repairs over a four-year period from 1992-1996.<sup>35</sup> The whole operation eventually backfired when the controversial investigation methods were denounced. Most organisations targeted by *The Snail* were initially dismantled but in subsequent court cases against some of the southern ‘ecstasy barons’, the controversial investigation methods were judged illegal and several of the ecstasy gang leaders had to be released.<sup>36</sup> It is not clear to what extent this operation caused the ecsta-

*The actions of the undercover agent helped spread expertise on ecstasy production among criminal groups*

sy business to expand but the actions of the undercover agent helped spread expertise on ecstasy production among criminal groups who were already eager to step into the business. On the other hand, police may also have gained valuable insights into the business. Some of the major ecstasy producers in Limburg are still at large, however, and in general ecstasy production is flourishing to the point that the market is almost saturated.<sup>37</sup>

## 5. Multiplier effect

The ecstasy market was still relatively new and open in the early 1990s. Along with large-scale producers and wholesalers, a multitude of mid-sized and small-scale amateur enterprises operated which were sometimes as much a danger to themselves as their direct environment; incidents such as exploding stills, leaked acid and ammonia emissions resulted in small environmental tragedies and the premature closure of laboratories which looked more like primitive, un-

healthy sculleries than professional factories.<sup>38</sup> In a report on organised crime in The Netherlands, the Scientific Research and Documentation Centre (WODC) of the Ministry of Justice suggests an explanation for the rise of the ecstasy business in the Netherlands, specifically its origin in the southern provinces. The WODC researchers point to a phenomenon from sociological research on the ‘social structure of entrepreneurial activity’: i.e. the importance of the existence of other, similar enterprises in the emergence of a new venture.

In such an environment, new ventures develop because they have a greater chance of

<sup>35</sup> The Snail got this nickname in criminal circles because he was slow to respond when propositions were made. He first had to consult his ‘runners’ at the Criminal Intelligence Division. Husken 2000; Husken & Vuijst, 2002. See also: *Netwerk van ‘bendes’ achter lucratieve illegale pillenhandel*, NRC Handelsblad, 21 June 1995; *Criminele infiltrant produceerde XTC met toestemming politie*, Volkskrant, 30 December 1996; *OM verzwijgt in xtc-zaak het gebruik van een infiltrant*, NRC Handelsblad, 14 February 1997; *De pepillen van De Slak*, Vrij Nederland, 15 February 1997.

<sup>36</sup> *Jaren bedrog bij politie en justitie*, De Limburger, 27 April 2001; *De duistere gangen van De Slak*, De Limburger, 12 May 2001. Two of them recently were awarded € 45,000 in indemnity, see: *Topcriminelen krijgen vergoeding voor IRT-affaire*, De Limburger, 8 July 2003.

<sup>37</sup> *De criminele landkaart verandert*, BN/DeStem, 4 January 2001.

<sup>38</sup> Van Duyn, P., ‘The Phantom and Threat of Organised Crime’, *Crime, Law and Social Change*, 24 (1996): 341-377.

acquiring the necessary know-how, plus the social relations in general to expansion and the basic confidence to start up an enterprise. Personal contacts and geographical proximity are essential. WODC researchers point to a phenomenon which they describe as the 'snowball effect': individuals involved with criminal coalitions eventually become more and more independent of other people (and resources such as money, expertise and contacts) and start up their own venture. When they do so, they involve new individuals from their own social environment and the process repeats itself in a constant process of 'cell partition'.<sup>39</sup> Some of these groups will not last in a difficult illicit market; others will become more professional and expand.

## Ecstasy Worldwide

A number of countries suspected of ecstasy production do not or scarcely appear in the UN statistics. For instance, there is no mention of Spain reporting lab seizures in the latest UN reports, although field research in Barcelona indicates that rudimentary labs operate in the city and surrounding area for local production. It is difficult to identify where pills are produced, however. Pills with the logo of the Barcelona Football Club, for example, appeared to be produced in Dutch laboratories.<sup>40</sup> Australia also does not appear in the UN statistics either, but according to Australian Bureau of Criminal Intelligence (ABCI) at least 12 labs

were dismantled between 1999 and 2002. According to the DEA, several large-scale ecstasy laboratories have been seized in the Sydney and Melbourne metropolitan areas. The chemicals seized at these laboratories originated from locations throughout South East Asia. Australian law enforcement and customs are also seizing increasing amounts of sassafras oil being smuggled through various ports of entry, such as Sydney and Melbourne. Sassafras oil is an essential oil used in the production of safrole, a precursor chemical for MDMA.<sup>41</sup>

When one combines the quantitative information with qualitative data, the picture becomes even more confusing. Without insight into the functioning of criminal networks involved in the illicit ecstasy industry, quantitative data may hide more than they reveal. No single organisation controls all aspects of production, wholesale, midlevel wholesale, or retail sales – and the networks involved seem increasingly to globalise. Production and trafficking organisations arrange their activities across borders. Apart from trafficking ecstasy produced in Dutch labs, Israeli groups have been involved in production operations in The Netherlands.<sup>42</sup> In Belgium, production is sometimes controlled by Dutch organisations. As Dutch law enforcement pressure mounts on producers of ecstasy in The Netherlands, some Dutch producers either look to Belgian producers to meet their supply needs or establish their own facilities in Belgium. Involvement of Dutch organisations with labs seized in Germany has

<sup>39</sup> Wetenschappelijk Onderzoek en Documentatie Centrum (WODC); Kleemans et al., 1998: 55; Kleemans et al., 2002: 43

<sup>40</sup> Montañes, V., M. Barruti, J. Pallarés Gómez and J.L. Domínguez Figueirido, 'The Synthetic Drug Market in Barcelona', *Synthetic Drugs Trafficking in Three European Cities: Major Trends and the Involvement of Organised Crime*, Turin: Gruppo Abele, 2003.

<sup>41</sup> *Australia Country Brief 2003*, Office of Strategic Intelligence, Drug Enforcement Administration (DEA), Arlington: April 2004.

<sup>42</sup> In 1994, an Israeli group tried to set up a lab near Amsterdam, after eliminating the possibility of establishing it in Eastern Europe. The lab was discovered when it exploded. (*Local operators of Dutch drug lab nabbed*, Jerusalem Post, 30 September 1994; *Israëlsche bende achter bouw xtc-lab*, Het Parool, 30 September 1994) Another Israeli group was involved with a seized laboratory in The Netherlands in 2001. Israeli, Dutch, Turkish and British nationals were arrested. The factory was equipped to produce 120,000 pills an hour. The Israelis were violently extorting money in Israel to operate the lab. (*Five Israelis Arrested for Running Ecstasy Factory*, Jerusalem Post, 1 March 2001; *Dealers werkten aan lijn naar Israël*, Haarlems Dagblad, 9 May 2001)

<sup>43</sup> The first site contained approximately 150 kgs of MDMA powder, 10,000 ecstasy tablets, 100 gallons of PMK, 10 separate pill presses and U.S. \$200,000 in cash. (INCSR 2002, 2003) The laboratory consisted of a chemical synthesis laboratory and a separate tableting operation. The production scale was 60-90 kgs per batch, corresponding to 428,000 to 642,000 tablets, based on a dosage unit of 140 mg of MDMA per tablet. Over 100 kgs of MDMA, over 10 kgs of amphetamine, over 100 kgs of caffeine, and over 1.5 metric tons of PMK of Chinese manufacture were seized at the site. Most of the tablets contained a mixture of MDMA and caffeine. (DEA Microgram Bulletin, January 2003) The main suspect of Chinese descent held both a Dutch passport and an Indonesian identification card and had lived for years in the Netherlands. He was sentenced to death.

also been reported. The dismantling of a major ecstasy production operation in Indonesia in April 2002<sup>43</sup> and one in Surinam in May 2003<sup>44</sup>, apparently to target the US market, indicates that significant production centres have been set up outside Europe with Dutch expertise. The DEA reports that Asian criminal groups may also be producing the drug in Belgian laboratories.<sup>45</sup>

There seems to be an increasing diversification in production. Different stages of production are conducted at different locations, sometimes even in different countries. That trend was already observed in The Netherlands, Belgium and Germany, but seems to have gone global as well. In Toronto in Canada in 2003, three tableting units were seized, 377,000 pills, 120 kgs of ecstasy powder and other equipment, such as presses, scales, dyes and vacuum packers. The alleged kingpin, a Chinese national, was orchestrating the manufacture of ecstasy tablets, made from powder believed to have been smuggled from The Netherlands. The network was responsible for the production of ecstasy and marijuana in Canada, the distribution of these drugs throughout the US, and the laundering of illicit funds back to Canada and to Vietnam. Police say the labs were capable of producing more than 250,000 pills every day. At its height, according to law

enforcement officers, the network involved was distributing a million ecstasy tablets a month, accounting for 15 per cent of all the ecstasy consumed in the United States. Another network of Chinese nationals in Canada transporting precursors (enough to make 21.2 million ecstasy pills) on a cargo ship from Shenzhen, China, was dismantled in August 2004.<sup>46</sup>

Established criminal networks seem to add ecstasy to their repertoire, using already existing trafficking routes. In June 2004, the first ecstasy-producing unit in India was discovered using two ordinary pharmaceutical firms. The companies were manufacturing medicine such as paracetamol by day and synthetic drugs by night. The organisation was linked to one of the major criminal enterprises in the region with ample experience in drug trafficking and with links in India, Pakistan (Karachi) and Dubai. They seemed to use established mandrax smuggling lines to South Africa. Funds came from South Africa through 'hawala' brokers, with Dubai as the nodal point. Officials of the Indian Narcotics Control Bureau (NCB) said they saw an emerging pattern in the trade. "Small scale units are manufacturing raw materials or finished products such as MDMA, which are then being shipped to South Africa, a distribution hub for Europe."<sup>47</sup>

<sup>44</sup> *Suriname rolt grote producent van xtc op*, de Volkskrant, 5 May 2003. The amount of MDMA seized at the site could have produced 500,000 ecstasy pills. According to press reports, the lab had a capacity to produce a million pills per day.

<sup>45</sup> NDIC, *National Drug Threat Assessment 2004*, National Drug Intelligence Center, April 2004.

<sup>46</sup> Ecstasy seized at Canadian ports of entry soared from multi-thousand quantities in the 1990s to over 2 million in 2000. The seizure rate stabilised in 2001 and 2002, with approximately 1.9 and 1.8 million tablets, respectively. In 2003, however, the amount of ecstasy seized almost tripled compared to 2002 (5.8 million tablets). This exponential increase is supported by a shift towards the importation of large powder MDMA shipments from Western Europe for re-processing to tablet form in Canada. In a 2003 Canadian investigation involving the dismantling of a major tableting facility, intelligence determined that an Asian organised crime group was responsible for this operation. (RCMP 2003, 2004) See also: *Police Smash North America Wide Organized Crime Network*, CFSEU Press Release, March 31, 2004; *Raids nab U.S. ecstasy ring based in Toronto*, National Post, April 1, 2004; *Police in Canada, U.S. Crack Major Drug Ring*, Globe and Mail, April 1, 2004; *Ecstasy Ingredient Found On Ship*, Vancouver Sun, 25 August 2004.

<sup>47</sup> A lab synthesising MDMA and a tableting unit were dismantled near Hyderabad. Next to 350,000 ecstasy tablets and 13 kg of MDMA (enough to manufacture 150,000 tablets), huge quantities of Mandrax (1.3 tonnes) and methamphetamine tablets were seized. According to a newspaper report, one shipment was seized trying to transport 2.2 tonnes of MDMA (equivalent to 27,500,000 units) to Dubai. Packed as sweets and cosmetics, the drugs were exported to countries in West Asia, but also went directly to Kenya, The Netherlands and West Europe. See: *Rs 100 cr drug racket busted*, Times of India, 8 June 2004; *'Ecstasy', drugs worth Rs. 100 cr. Seized*, The Hindu, 8 June 2004; *DRI busts narcotics racket in Karnataka*, Times of India, 9 June 2004; *Gujarat drug bust to Dawood dope trail*, The Indian Express, 10 June 2004; *West's love pill is made in India*, Times of India, 12 June 2004.

Mandrax, a variant of methaqualone, is used in South Africa. It is often smoked in a homemade bottle-pipe with low-grade cannabis, a practice called "smoking the White Pipe." South Africa is the only place in the world where this odd usage is prevalent. Mandrax is both smuggled into and produced in South Africa for domestic consumption. Mandrax laboratories obtain most essential precursors from India, China and Pakistan. The Indian ethnic community traditionally controls Mandrax trafficking. The ports of entry are Mombassa, Kenya, with Dar Es Salaam, Tanzania, and Maputo, Mozambique following closely behind. (INCSR 2001, 2002)

One more trend is that ecstasy production inside and outside The Netherlands is increasing in sophistication and scale. According to the Royal Canadian Mounted Police (RCMP), recent trends in Canada include polydrug manufacture and multi-site operations (different stages of synthesis and subsequent manufacturing of pills are conducted at different locations). Overall, clandestine synthetic drug laboratories are larger and more sophisticated. The European Union reports that the number of production facilities is relatively stable, but the production capacity, due to advances in methodology, use of sophisticated equipment for the manufacturing of synthetic drugs, use of specialists etc. has resulted in an ever-increasing production efficiency and capacity.<sup>48</sup>

Finally, there is apparently a growing differentiation on the market in pill quality in several countries, with high quality pills emanating from The Netherlands and Belgium and low quality pills being produced domestically (Russia, Hong Kong, Vietnam). This does not necessarily mean the cheap low quality pills are produced entirely domestically. There are reports suggesting that MDMA powder may be imported from Europe to North America, Australia and South-East Asia, where it is tableted. This may provide an opportunity to adapt tablets to local needs in terms of both purity and composition, i.e., addition of other substances. Facilities that reprocess tablets into “watered down” versions, i.e., where tablets are ground, diluted, sometimes mixed with other drugs, and then re-tableted, have been discovered in Thailand, Cambodia and Canada. There is a significant danger that the health risks associated with such tablets may be much higher than the equivalent ecstasy drug sold in Europe.

### Production in the United States

As discussed before, the assumption that 80%

of the ecstasy in the US originated from The Netherlands does not seem to stand up on the basis of reported lab seizures and other indicators such as MDMA levels in pills in North America. The US and Canada together, account for nearly 30% of worldwide lab seizures. Despite the prominent position of the US on the UN list, the US National Drug Intelligence Center (NDIC) in its ‘National Drug Threat Assessment 2004’ stated: “Most of the MDMA available in the United States is produced in clandestine laboratories located in The Netherlands and Belgium and, to a much lesser extent, in other foreign countries such as Canada and Mexico. Domestic MDMA production remains limited, as evidenced by very few domestic MDMA laboratory seizures.”<sup>49</sup> True, the amount of seized ecstasy labs dwarfs in comparison with seized meth labs (12 against 9,024 in 2002), but is still substantive in a global context (20%). In addition, the US market is characterised by the availability of MDMA-like substances with hallucinogenic and stimulative effects, scarcely found in dismantled labs in Europe. US authorities seem to be in a state of denial as far as domestic ecstasy production is concerned being mainly concerned with domestic methamphetamine production.

According to the NDIC, most clandestine ecstasy labs seized in the US are only capable of producing small amounts (gram quantities) per production cycle, although a few were capable of producing kilogram quantities. Press reports, based on law enforcement information, however, indicate the existence of large-scale labs capable of producing millions of pills.<sup>50</sup> The NDIC admits that the quantity of MDMA produced in source areas is largely unknown due to unsubstantiated data concerning laboratory capacity estimates and limitations in seizure data. The NDIC refers to sources abroad, but it might apply to the US. Data provided by US authorities are not

<sup>48</sup> *Drug Situation in Canada 2003*, Criminal Intelligence Directorate, Royal Canadian Mounted Police (RCMP): Ottawa, July 2004; *Serious Crime Overview Drugs 2004*, The Hague: Europol.

<sup>49</sup> NDIC, 2004; emphasis added.

<sup>50</sup> In October 2001, a major MDMA laboratory in Escondido, north of San Diego, was seized. The highly sophisticated laboratory was capable of producing 1.5 million ecstasy tablets a month (ONDCP Drug Policy Information Clearinghouse, Profile of Drug Indicators, San Diego, California, June 2004). In December 2002, a lab was discovered that had been operating for or at least two years in Allentown (PA) and was capable of producing million-tablet batches of ecstasy. (*Lab Mass-Produced Ecstasy, Agents Say*, The Philadelphia Inquirer, 19 December 2002; *Very Large Ecstasy Laboratory Seized in Bangor, Pennsylvania*, DEA Microgram Bulletin, June 2003). Whether or not these amounts were actually produced is unknown, but that also applies to labs seized outside the US.

## US-Dutch controversies

Another explanation for the wrath of the US in regard to the ecstasy industry in The Netherlands could be that singling out The Netherlands is politically biased. The profound differences in drug policy and law enforcement methods between the two countries create tensions. The US government has little appreciation of the liberal Dutch drug policy approach. There is a strong tendency to blame the liberal Dutch for the remarkable increase in ecstasy consumption in the US at the end of the 1990's, without considering the domestic dynamics that may have led to an increased demand. Mark E. Souder, Chairman of the US Government Reform Subcommittee on Criminal Justice, Drug Policy and Human Resources of the House of Representatives said on Dutch national television that if The Netherlands does not decide to enforce ecstasy production and trafficking more aggressively, he would not rule out tougher trade rules or other sanctions.<sup>1</sup> Souder has been disturbed by the Dutch attitude for years. "I believe they are trying to do the right thing," he said earlier of Dutch officials, "but there is a huge difference in how we approach issues. We have a more moral base; they don't have a moral base." To prove his point, Souder claimed that less than 20 percent of the Dutch population attends church regularly.<sup>2</sup>

Although such radical measures have not been put into force, all kinds of diplomatic and media pressure is applied to force the Dutch to adapt to US strategies in the fight against ecstasy. In 1999, the drug czar of the Clinton Administration, General Barry McCaffrey listed The Netherlands as an area of 'emerging concern' along with Cuba and North Korea.<sup>3</sup> "Perhaps due to a combination of geography (The Netherlands is a commercial and transportation hub for Western Europe) and ambivalent drug policy, The Netherlands is a significant drug-producing nation," McCaffrey said about the prominent posi-

tion of the Dutch in ecstasy and marihuana production. In 2000, the US Embassy in The Hague proposed a 'three-pronged effort' (political engagement, training and enhanced consultation at the working level, and 'public diplomacy') to improve bilateral law enforcement cooperation.<sup>4</sup> According to some Dutch police officers, that 'public diplomacy' resulted in a lot of pressure from the US to crack down on ecstasy trafficking and production in The Netherlands. They also said US officials did not hesitate to use access to certain media in their campaign.<sup>5</sup> The DEA constantly offers 'friendly advice and support' to the Dutch government. According to a DEA official, there is little support at the higher levels of drug enforcement in The Netherlands for current police tactics.<sup>6</sup> On the other hand, at lower levels there is no wide appreciation of the criminal investigation methods of the DEA either. An interviewed Amsterdam police officer was not very impressed with the DEA. He mentioned as an example a request to use an undercover agent against a 'small-time' dealer who handled some 5,000 pills at most. The DEA wanted to get him to 50,000 or higher, and subsequently crack down on the 'whole ecstasy ring' that they had created in the first place. The request was denied. According to the police officer, the DEA has little or no expertise in traditional police work and basically use only undercover operations.

Problems also arise around the extradition of Dutch citizens to the US on charges of ecstasy trafficking. Dutch citizens are extradited with only marginal examination of formalities, and no further scrutiny of the evidence, the criminal procedure or the judicial process. Due to differences between the Dutch and the US criminal justice system, this has led to protest among defence lawyers and law experts, as well as drug policy experts. Due to the discrepancies in the criminal justice system, they claim Dutch citi-

<sup>1</sup> Amerikaanse infiltratie, Zembla (VARA/NPS), 19 June 2003.

<sup>2</sup> Dutch Drug Trade, Attitudes Disturb Souder, Journal Gazette, 14 November 2001.

<sup>3</sup> Testimony before the Senate Committee on Armed Services, Subcommittee on Emerging Threats and Capabilities on the Department of Defense's Role in US Drug Control Policy. Washington DC: April 1999. McCaffrey based his testimony in large part on the article, *Holland's Half-Baked Drug Experiment*, in the influential journal *Foreign Affairs* (May-June 1999). The article is full of wrong figures and manipulated quotes.

<sup>4</sup> INCSR 2000, 2001

<sup>5</sup> Blickman et al., 2003

<sup>6</sup> VS wil grondige aanpak drugsbendes, Algemeen Dagblad, June 25, 2001.

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zens don't get a fair trial by Dutch standards. The procedures regarding the use of undercover agents and incitement to the criminal practice in the US are not allowed in the Dutch system; and the widespread institution of plea bargaining by which suspects can accuse others in exchange for a reduction in criminal charges, is considered unjust because cases are not taken to court and consequently there is no judicial check. In 2002, a judge ordered more information from the Dutch government about the criminal procedure and the judicial process of the US to examine whether suspects would get a fair trial, and subsequently suspended the extradition of Dutch citizens. The government responded that the judge's decision would have "damaging effects on the relations" with the US.<sup>vii</sup> The decision of the lower court was overruled.

Although US authorities compliment Dutch law enforcement co-operation, US officials routinely criticize The Netherlands. In the annual International Narcotics Control Strategy Report The Hague is pressured to comply with the US approach. "The U.S. and The Netherlands agree on the goal (to reduce production and traffic of illicit drug, the most recent report said, "but differ over which law enforcement methodology will be most effective in achieving it. The Dutch continue to resist use of controlled deliveries and criminal informers in their investigations of drug traffickers. They are also reluctant to admit the involvement of large, international drug organizations in the local drug trade and do not use their asset forfeiture rules often in narcotics cases."<sup>viii</sup> In March 2003, a new agreement between the countries was signed that specifi-

cally addressed these issues and, according to some observers, it is increasingly merging the Dutch criminal justice system with US demands. The Minister of Justice rejected these criticisms, but admitted that The Netherlands "had been confronted twice with a genuine threat to be labelled as a major drug exporting country by the US, which could have had direct consequences for the economic relations with the US."<sup>ix</sup>

The Dutch government is undermining its own carefully designed drug policy by signing these agreements, according to opponents. In addition to the (secret) number of US police officers already active in The Netherlands, the State Department will appoint a new Global Issues Officer and the DEA will install a special agent and analyst to supervise law enforcement operations. All DEA agents stationed at the American embassy in The Hague enjoy diplomatic immunity. This means, amongst other things, that American agents cannot be held accountable or even questioned in the event of irregular operations. Instead of co-operation, Dutch law enforcement is being integrated into the American system and fused within a transatlantic enforcement regime. A legal system is forming in which enforcement agencies can selectively appropriate or revise the regulations of both nations, thereby evading control by the legal systems of both countries.<sup>x</sup> For instance, while the Dutch system is very strict on undercover operations, it is remarkably lenient on phone taps. In the US, it is the other way around. This kind of thing is used in joint investigations to exchange information and circumvent national legal restrictions.

<sup>vii</sup> 'Rechter schaaft band met de VS' and Veroordeeld in VS en geen rechter gezien, NRC Handelsblad, December 16, 2002.

<sup>viii</sup> INCSR 2003, 2004

<sup>ix</sup> Ontwerpbesluiten Unie-Verdrag; Verslag algemeen overleg van 19 juni 2003, over bilaterale 'law enforcement' besprekingen tussen de VS en Nederland, Tweede Kamer, Kamerstuk 2002-2003, 23490, nr. 285, 9 July 2003.

<sup>x</sup> Uitermark, J. & P. Cohen (2003), *The Netherlands as a branch of American law enforcement?*, Amsterdam: CEDRO Centrum voor Drugsonderzoek, Universiteit van Amsterdam.

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always consistent. While the UN reports 9 labs seized in 2002 and 17 in 2001, El Paso Intelligence Center's (EPIC) National Clandestine Laboratory Seizure System (NCLSS) data show that law enforcement agencies reported 12 domestic ecstasy lab seizures in 2002 compared with 10 seizures in 2001. UN figures are based on reports provided by national governments.

Pill seizure data also show a sharp decline in imported pills. According to data collected by EPIC, the number of ecstasy tablets seized arriving from foreign source or transit countries has decreased sharply from 8,071,127 in 2000, to 6,699,882 in 2001, to 3,395,036 in 2002.<sup>51</sup> This might indicate that more pills are imported through trafficking networks not yet identified or that there is greater supply from domestic production, or both. According to the UN, "increased interest in domestic ecstasy manufacture is also exemplified by increased levels of precursor seizures in 1998-2001. In terms of ecstasy precursor seizures, most of the seizures in the USA concerned safrole, often in the form of sassafras oil." PMK, the main precursor in Europe, is seized in the US at far lower levels than in Europe. A different range of precursors is available for diversion or different criminal groups specifically target different precursor chemicals. A growing number of tablets that are being sold as ecstasy contain varied substances, or combinations. According to the UN, "it may also be that, with increased competition, drug trafficking organizations are also importing ecstasy tablets from South East Asia, where tablets are more likely to be multi-drug combinations."<sup>52</sup> In 2003 and 2004, there was a remarkable increase in seizures of sophisticated labs in Canada, operated by Asian nationals. Indications that Chinese networks have been trafficking to the US existed before. Already in 2000, Chinese police uncovered a syndicate that specialised in smuggling ecstasy to the United States. In

the course of the investigation, Chinese authorities arrested several suspects and seized 100,000 tablets bound for the United States.<sup>53</sup>

The main emphasis of US law enforcement, nevertheless, was on ecstasy originating from The Netherlands and Belgium. An explanation could be that law enforcement agencies in the US have a partial overview based on specific operations. For a while, in close collaboration with Dutch police, they mainly targeted Israeli trafficking networks with suppliers in The Netherlands. One operation typically produces additional leads for other similar operations, resulting in a 'snowball' of cases with the same or connected suppliers and trafficking networks, as became clear from case analyses and interviews with USD officials. A particular case started in 1996, but a spin-off was still being used in 2003, based on so-called free-evidence gained from the initial investigations.<sup>54</sup> The same can be said about the sudden emergence of Dominican trafficking networks. Moreover, conclusions on Dutch ecstasy's share of the US market are drawn from a limited amount of ecstasy pills seized. Nearly 3.2 million people used ecstasy in 2001. Using the range of 20-40 pills per user per year, 64-128 million pills are needed to satisfy the US market.<sup>55</sup> Approximately 9.5 million ecstasy pills were seized domestically in the US in 2001. In other words, conclusions are based on only 7.5-15% of the market.

### Eastern Europe

According to several sources, significant ecstasy production is taking place in Eastern Europe and the Baltic countries, although very few ecstasy labs are reported to the UN as seized in the region. Ecstasy is produced in significant quantities in Poland, and law enforcement officials estimate that Poland is one of the leading suppliers of amphetamines to European

<sup>51</sup> NDIC, 2004.

<sup>52</sup> UNODC, 2003b.

<sup>53</sup> *International Narcotics Control Strategy Report 2000*, Bureau for International Narcotics and Law Enforcement Affairs, United States Department of State, Washington DC: INLEA, 2001.

<sup>54</sup> Blickman et al., 2003; Huisman et al., 2003; Graafland, P., 'International co-operation in investigation', presentation at the *International Synthetic Drug Enforcement Conference (SYNDEC) on International Cooperation*, Scheveningen, 8-9 October 2003.

<sup>55</sup> According to the NDIC, NSDUH data for 2002 indicate that 1.3 percent of individuals aged 12 or older – nearly 3.2 million people – used ecstasy in 2003. (NDIC, 2004).

markets.<sup>56</sup> According to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) in a report on candidate Central and Eastern European Countries (CEECs), synthetic drug production has grown in that region, due to weak regional control mechanisms. “*The initial lack of awareness, experience and proper legal regulation in the CEECs has created an ideal atmosphere for the development of illegal laboratories. Lack of controls on the precursors, especially, has aided illegal production.*”<sup>57</sup> With the entry of CEECs like Poland and the Baltic countries in the EU new opportunities will arise.

Organised crime groups in Poland produce some of the highest quality amphetamines in the world for both export and domestic consumption. They control substantial financial resources and legally registered companies are used to launder illicit profits and obtain necessary chemical components. They also co-operate with international drug traffickers to smuggle drugs into, out of and through the country. These groups often make use of existing legal laboratories and employ experienced chemists to produce amphetamines that are 90-100% free of impurities. Laboratories are usually located in remote areas, where they are operated for three to four months before being moved to a new location. Synthetic drugs are sometimes produced in the legal, permanent laboratories of chemical companies and universities. European law enforcement officials estimate that Poland fulfils more than 25 percent of Europe’s amphetamine demand.<sup>58</sup>

According to Interpol and Polish police, during the 1990s, Poland became one of the

biggest producers of amphetamine in Europe and most of it was smuggled out to the West, mainly to Sweden and Germany. According to one police officer, Swedish government figures in 2000 showed only 50% of ecstasy pills there came from The Netherlands, down from 90% a few years before.<sup>59</sup> Similar development had taken place earlier with amphetamine production. Until the early 1990s, the supply of amphetamines in North Western Europe was largely in the hands of Dutch citizens residing in the southern provinces of Brabant and Limburg. After the fall of the Berlin wall and political changes in Eastern Europe, the market started to change and the Poles proved to be skilled competitors. Their share of the market in Germany and Scandinavia rose from less than 10% to between 20% and 26%. According to Polish law enforcement, 60% of the seized amphetamines in Scandinavia is produced in Poland nowadays. This pattern may repeat itself in the ecstasy trade. According to the UNODC, an eastward shift of clandestine ecstasy

*An eastward shift of clandestine ecstasy production is now under way, similar to the spread of clandestine amphetamine manufacture a decade ago*

production is now under way, similar to the spread of clandestine amphetamine manufacture a decade ago. For the past few years, on average, one or two laboratories have been seized in Eastern Europe. Eastern European groups have the advantage that precursors needed to produce ecstasy are more readily available there while precursor control measures in Western Europe have increased. Small ecstasy labs and marijuana plots are being set up for the local market, sometimes in collaboration with Dutch citizens.<sup>60</sup>

Although Western law enforcement officers feared that after the fall of the Soviet Union, Russia’s thousands of experienced chemists would start mass-producing synthetic drugs

<sup>56</sup> USD 2001, 2002; INCSR 2002, 2003; UNODC, 2003a.

<sup>57</sup> European Monitoring Centre for Drugs and Drug Addiction, 2002 Report on the drug situation in the candidate CEECs. Lisbon: EMCDDA, 2002.

<sup>58</sup> INCSR 1999, 2000; INCSR 2000, 2001.

<sup>59</sup> *Ondanks tanende rol blijft Nederland ‘hofleverancier’ van xtc*, Rotterdams Dagblad, 8 December 2000.

<sup>60</sup> Van Duyne, 1996; CDPC, 1999; UNODC, 2003b; BKA, 2001 and 2002; DEA, 2001a; G.J.N. Bruinsma, ‘Misdaad-dreigingen uit de nieuwe lidstaten van de EU’, *Justitiële verkenningen*, jrg. 30, nr. 6 (2004), pp. 36-50.

for the local and European markets, this hypothesis seems to have been borne out to only a minimal extent. Ecstasy is largely imported from Western European countries, particularly The Netherlands, and to a lesser extent from Poland. As a high MVD (Russian Ministry of the Interior) officer put it, “there is no need to produce drugs that can be easily and cheaply imported.”<sup>61</sup> The deputy head of the Russian Customs State Customs Committee’s department for combating drug smuggling predicted, however, that the Baltic States would soon replace The Netherlands as the main supplier to Russia of synthetic drugs. The Baltic countries, formerly transit points for such drugs, are evolving into major producers of ecstasy made from precursor chemicals imported from Russia. In 2003, there were several reports by both the MVD and Federal Security Service (FSB) that MDMA labs now exist in Russia. Although ecstasy tablets produced in Russia are of low quality, the low prices (sometimes as low as US\$ 5) are attractive in comparison to the US\$ 20 typically charged for Dutch ecstasy tablets. In addition, a new trafficking route has appeared. In response to the continuously increasing demand and higher prices in Russia, there have been several cases of trafficking amphetamine and ecstasy from Estonia to Russia.

In 1999, Estonian police found evidence of laboratories believed to be producing ecstasy. Estonian, Finnish, and Swedish authorities believe that ecstasy laboratories in Estonia are supplying the Nordic and Baltic markets. The region may also be receiving ecstasy from nearby Latvia.<sup>62</sup> In Latvia, there is no evidence of either amphetamine or ecstasy production. Police point to a large chemical industry in Latvia during the Soviet era as indicative of potential for production.<sup>63</sup> The expertise is certainly available. Already in December 1992, 11 million ecstasy tablets were seized at the Frankfurt airport. The shipment from Riga in Latvia was on its way to The Netherlands. The ringleader was a Dutch citizen who resided in

Belgium. An investigation by Belgian, Dutch, German and Slovak police uncovered a criminal ring that had bribed the director, deputy director and chief chemist of a Riga state-owned pharmaceutical company to manufacture ecstasy and other synthetic drugs.<sup>64</sup>

Ecstasy prices have remained low in Estonia; an indication of domestic manufacture. Finland fears that Estonia’s accession to the EU and Schengen arrangements could lead to increased ecstasy trafficking into Finland. In August 2003, Estonian officials seized a pill press, various chemicals and 150 kilograms of liquid MDMA in Tallinn that could have produced approximately 750,000 ecstasy tablets. The MDMA apparently originated in Russia. It was the largest ecstasy laboratory ever seized in the Baltic and Nordic countries. Police claim to have reliable information that Lithuanian-produced pills are exported to Russia and Sweden, and perhaps other countries. In the two-year period from 2000-2001, seven laboratories that were producing amphetamine, ecstasy, and precursor chemicals were shut down in Lithuania. The laboratories were well-equipped, efficient, and produced drugs for export. In 2002-2003, ten well-equipped laboratories producing amphetamines, ecstasy, and precursor chemicals were seized.<sup>65</sup>

### China and South East Asia

Remarkable is the sudden appearance of China and South East Asia, Indonesia in particular, as major producers since the new reporting mechanism was introduced by the UNODC. According to the secretary of the INCB, H. Schaepe, Asian countries are gradually taking over ecstasy production from The Netherlands due to increased law enforcement.<sup>66</sup> Europol noted that the involvement of organised crime groups in the production of synthetic drugs in China (the main source of precursor chemicals required for both amphetamine and MDMA

<sup>61</sup> Paoli, L., *Illegal Drug Trade in Russia*, Freiburg: Max Planck Institute for Foreign and International Criminal Law, 2002.

<sup>62</sup> DEA, 2001a; INCSR 2003, 2004.

<sup>63</sup> INCSR 2001, 2002.

<sup>64</sup> *Xtc voor Nederland uit Letse staatsfirma*, Het Parool, 7 January 1993.

<sup>65</sup> INCSR 2000-2003.

<sup>66</sup> *Zorgen VN over Nederlands drugsbeleid*, Trouw, 23 February 2001.

production, i.e. BMK and PMK respectively) and in South East Asia generally is likely to become a growing concern for global law enforcement agencies. Very little information is available concerning MDMA production in Asian countries, however. There are no generally accepted estimates as to the amount of MDMA produced or the number of MDMA laboratories operating in these countries, according to the US National Drug Intelligence Center (NDIC).<sup>67</sup>

As mentioned before, “ecstasy” in East and South East Asia is used as a term to describe any drug in tablet form, whether or not it contains MDMA. Reports indicate that the ecstasy tablets available in the region contain mixtures of various substances and sometimes no MDMA at all. This contrasts with the situation in Europe and the United States, where the trend over the past years has been towards high purity single entity ecstasy tablets, containing MDMA as the only active ingredient. From a law enforcement perspective, the significant regional differences in tablet composition also raises doubts about the widely held belief that the majority of ecstasy tablets seen in countries of East and South East Asia, and in Australia, are imported from Europe, according to the UNODC. There is, however, little information reported to UNODC to clarify this. Evidence for MDMA powder manufacture in that region is still limited, although there are anecdotal reports suggesting that local ecstasy is almost as available as European ecstasy in the region. In 2001, Hong Kong reported cheap ecstasy tablets probably manufactured in the Asian region rather than in Europe, and that the amount of the locally made tablets is increasing dramatically.<sup>68</sup> Interestingly, Canada is the only country that has reported similar adulterants and diluents in ecstasy-type substances as countries from East and South East Asia.

In 2000, the NDIC, the DEA and the US Customs Service (USCS) in their ‘Joint Assess-

ment of MDMA Trafficking Trends’ voiced concern that crime groups from Mexico, Colombia or China would become involved in ecstasy production and trafficking towards the US. Although at the time, no organisations from these countries had made strong moves toward large-scale MDMA production, the same advantages found in The Netherlands – access to precursor chemicals and to smuggling routes to the US – were present and sometimes more prevalent in Mexico, Colombia, and China. If these advantages would be exploited, the production dominance of groups in Belgium and The Netherlands could be challenged. The profitability and relatively low threat associated with ecstasy production and trafficking could entice these groups to enter the market. Mexican groups were probably the greater threat because of their experience in producing and distributing amphetamine and methamphetamine.<sup>69</sup> Four years later, there is little evidence of Colombians and Mexicans entering the ecstasy market on a large scale, although trafficking to and through these countries has increased. Chinese ecstasy production and trafficking groups, in and outside the People’s Republic, are increasingly involved, however.

Chinese crime groups have exceptional possibilities on the ecstasy market. Apart from access to the essential precursors and trained chemists in China, there are connections with experienced producers in The Netherlands and worldwide distribution possibilities through Chinese communities abroad wherein they can hide. Chinese groups are co-operating with Dutch groups in supplying the precursors PMK and BMK for ecstasy and amphetamine production in The Netherlands and apparently in exporting pills. The Amsterdam police noticed the emergence of Chinese groups in the ecstasy business already in 1997.<sup>70</sup> A survey of organised crime in The Netherlands showed a mainly Chinese organisation (some with Dutch nationality), active in heroin trafficking from South East Asia, diverging precursors, and pro-

<sup>67</sup> Europol, 2004; NDIC, 2004.

<sup>68</sup> UNODC, 2003b.

<sup>69</sup> *Joint Assessment of MDMA Trafficking Trends*, National Drug Intelligence Center, Johnstown (PA): July 2000.

<sup>70</sup> In 2001, ethnic Chinese were involved in shipping 14,000 litres of BMK and 3,000 of PMK to a laboratory in Limburg through the port of Rotterdam. (*Supervangst grondstof xtc was een toevalstreffer*, *Rotterdams Dagblad*, 11 January 2002; *Milde eisen tegen smokkelaars recordpartij xtc-grondstoffen*, *Rotterdams Dagblad*, 10 April 2002) Established Dutch groups are involved with importing precursors from China. A former financial adviser to one of the

ducing and trafficking ecstasy and amphetamines. In 2003, a Dutch-Chinese national was arrested who had been importing precursor and might have been involved with eight ecstasy labs in The Netherlands.<sup>71</sup>

Nationals of East and South East Asia are also often involved in producing and trafficking in third countries with substantive Asian communities such as Canada and Australia. DEA offices throughout South East Asia have reported an increase in the ecstasy trafficking throughout the region, including the discovery of significant MDMA laboratories in China, Hong Kong, Taiwan, Malaysia and, most notably, in Indonesia. The increasing demand for ecstasy and the availability of precursor chemicals from China and Vietnam – a major producer of sassafras oil – provide evidence that nations in South East Asia are increasingly vulnerable to becoming havens for large-scale MDMA manufacturers. The Chinese kingpin in Canada was linked to the Big Circle Boys gang, a Triad-like organisation. Some ecstasy traffickers in China are linked directly to the US.<sup>72</sup> Australian police also have noted an increase in ecstasy imports with links to Triad groups from South East Asia. Ethnic Chinese were involved in a massive 340 kilogram MDMA shipment to Sydney, Australia – enough to make 4.25 million ecstasy tablets. The load was secreted between frozen Chinese won ton pastry sheets and the suspects tried to escape to Hong Kong. The container originated in The Netherlands.<sup>73</sup>

A Dutch-Chinese operator, who had been running the ecstasy labs in Indonesia that were seized in April 2002, had connections to Chinese nationals in Malaysia and Hong Kong for the import of the precursor PMK. Intelligence

indicated that the laboratory had been in operation for about three years, and that approximately 3.5 metric tons of PMK had already been processed prior to the laboratory's seizure. With the necessary caution about estimates, that amount could have produced some 43,750,000 pills. Additional investigations of the DEA indicated widespread distribution of these Indonesian-produced tablets in the United States, Australia, Burma, the People's Republic of China and elsewhere.<sup>74</sup> According to the UNODC, the Indonesian case “confirmed the growing co-operation between criminal operators in the region, based on colonial and ethnic ties, to increasingly share the risks of acquisition of precursor chemicals and equipment, drug powder manufacture, and tableting into the final product.”<sup>75</sup>

Nine ecstasy laboratories were seized in 2001, among them only two were classified as small-scale or ‘kitchen’ laboratories. Most of these laboratories were believed to have been tableting laboratories. Jakarta's Police Narcotics Division chief Carlo Tewu remarked that many of the ecstasy pills were produced locally. “That's why ecstasy is relatively easy to obtain here.” The seizure of the large-scale unit in 2002 seems to have given rise to a cottage industry of ecstasy, often fake pills. According to Tewu: “Many of the ecstasy producers we arrested recently are not part of larger syndicates... They are freelancers, risk-taking entrepreneurs with smaller capital who see potential in the ecstasy business while the larger ones are not running.” Tewu said that freelancers produced ecstasy in small quantities in private homes in residential neighbourhoods, with about two or three people in each house making as few as 50 pills a day. “They produce the pills on demand,

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major Dutch hash entrepreneurs of the 1990s was arrested for supplying precursors from China to five ecstasy labs. (*Boekhouder de Hakkelaar aangehouden*, Het Parool, 17 March 2001) See also: *Strijd om macht op xtc-markt*, Het Parool, 22 February 1997.

<sup>71</sup> Kleemans et al., 2002. *Lang onderzoek leidde tot oprollen xtc-lab*, BN/DeStem, 4 June 2003. In a court case in The Netherlands the public prosecutor alleged that a Dutch based Chinese lab operator in The Netherlands was instructing two Chinese citizens to produce ecstasy for a fee of € 175,000 per person. (*Vraagtekens bij 'toevallige ontdekking' xtc-laboratorium*, Rotterdams Dagblad, 11 April 2003).

<sup>72</sup> In June 2001, tablets from seizures in two DEA San Francisco investigations were linked to the same source as a 300,000-tablet seizure in Shenzhen, China that had occurred days before. Although the San Francisco seizures were much smaller than the Shenzhen seizure, the capabilities of these trafficking groups appear to be significant. (DEA, 2004b)

<sup>73</sup> *\$30M Drug Seizure Cracks Crime Syndicate*, Sydney Morning Herald, 18 October 2001; *Police seize Australia's largest-ever haul of MDMA*, AAP, 21 June 2004; *Long route to record ecstasy bust*, Sydney Morning Herald, 22 June 2004.

<sup>74</sup> DEA Microgram Bulletin, January 2003.

<sup>75</sup> UNODC, 2003b.

it's not mass production."<sup>76</sup> Nevertheless, occasional larger scale labs are still seized.

Other South East Asian countries are also involved in ecstasy manufacturing often with a link to Chinese nationals. An ecstasy-tabletting lab was seized in Thailand in 1999. Three Chinese citizens were arrested with links to The Netherlands and Indonesia. Some laboratories in the border area between Burma and Thailand may already be producing relatively inexpensive ecstasy for the local markets since 1999. There were unconfirmed reports that traffickers associated with the Burma-based United Wa State Army (UWSA), already involved in large-scale methamphetamine production, were producing ecstasy as well that sold in Thailand for about one fourth the cost of European produced ecstasy.<sup>77</sup> According to the Bangkok Post, "a naturalised Dutch Chinese chemist, said to be one of the best and highest paid in the business, has spent nearly two years in Wa laboratories experimenting with the initial production and training local chemists." Apparently, the Wa succeeded in upgrading its version of ecstasy to European standards, according to unidentified security and narcotic officials.<sup>78</sup>

## Conclusions

A restructuring of the global ecstasy market seems to be taking place with more regional producers supplying their adjacent regional markets. The importance of The Netherlands might have been less than was generally assumed, or it is losing its earlier leading position and original advantages. The global ecstasy market is still expanding – in particular outside the original consumption regions like Western Europe, North America and Australia – and this leads to the displacement of labs to other areas around the world. Across the globe, ecstasy production is increasing in sophistication and scale. There seems to be a greater diversification in production. Different stages of production are conducted at different locations, sometimes even in different countries. Established criminal networks seem to

add ecstasy to their repertoire, making use of pre-existing drug trafficking routes.

No single organisation controls all aspects of production, wholesale, mid-level wholesale, or retail sales, and the networks involved increasingly seem to globalise. National borders seem to be losing their importance, while criminal networks involved in the ecstasy industry are organising their supply internationally. Without insight into the functioning of criminal networks involved in the illicit ecstasy industry, it is not possible to understand the functioning of the market. While at a certain moment The Netherlands provided a set of beneficial conditions for the development of an illicit ecstasy industry, a different set of conditions could favour the development of production facilities and trafficking lines elsewhere.

In contrast with traditional plant-based drugs, the illicit ecstasy industry is not bound to specific cultivation areas. The industry is a very dynamic and flexible enterprise, and will thus adapt quickly to law enforcement actions, changes in drug consumption fashions and the resulting market transformations. There are signs that networks of Chinese nationals in different countries worldwide are acquiring a position on the international ecstasy market, while in Eastern Europe conditions also seem to offer opportunities. The potentially favourable sets of conditions are difficult to predict nevertheless as they depend on several factors occurring at the right time.

The peculiarities of the illicit ecstasy industry challenge the conventional supply side drug control approach even more than traditional plant-based drugs control, where they have not proved very effective anyway. Furthermore, changes in the quality and purity of the pills that result from supply control strategies may have dangerous consequences for users. Since the supply of ecstasy – as with other drugs – has been impossible to control, this seems to call for an approach based on harm reduction measures to, at least, prevent serious health consequences for users.

<sup>76</sup> *Drugs abuse and trafficking: How low can you go?* The Jakarta Post, 27 December 2001; Laksamana.net, 24 August 2002, quoting the *The Straits Times* from Singapore.

<sup>77</sup> USD 1999, 2000; INCB 2000, 2001; INCSR 2002, 2003.

<sup>78</sup> *Ecstasy to flood Thai market*, The Bangkok Post, 19 October 1998; *Wa eye 'ya ee' domination*, The Nation, 15 January 2003.

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## USEFUL WEBSITES

European Market Ecstasy Trafficking  
<http://www.narcomafie.it/emet/>

European Market Ecstasy Trafficking  
<http://www.narcomafie.it/emet/>

mdma.net  
<http://www.mdma.net/>

United Nations Office on Drugs and Crime (UNODC)  
<http://www.unodc.org/unodc/en/research.html>

Australian Crime Commission <http://www.crimecommission.gov.au/>

Royal Canadian Mounted Police (RCMP)  
[http://www.rcmp.ca/crimint/ci\\_reports\\_e.htm](http://www.rcmp.ca/crimint/ci_reports_e.htm)

Bureau for International Narcotics and Law Enforcement Affairs  
International Narcotics Control Strategy Report (INCSR)  
<http://www.state.gov/g/inl/rls/nrcrpt/>

Drug Enforcement Administration (DEA)  
<http://www.usdoj.gov/dea/index.htm>

National Criminal Intelligence Service (NCIS)  
<http://www.ncis.gov.uk/>

National Drug Intelligence Center  
<http://www.usdoj.gov/ndic/>

Ecstasy has become a popular drug over the past 15 years. Its rise was closely connected to a new youth culture, which began at the end of the 1980s. National and international drug control agencies responded to ecstasy's growing popularity in their traditional manner: they prohibited the substance. As a result, a new illicit industry emerged and ecstasy was added to the stock of illicit drugs supplied by criminal networks. Ecstasy and other amphetamine type stimulants will become Public Enemy No.1 in the period ahead, declared the Executive Director of the United Nations Office on Drugs and Crime (UNODC), Mr. Antonio Maria Costa.

Little is known about the illicit ecstasy industry. Over the past decade, The Netherlands has been pinpointed as the main producer country, but statistics have relied on fragmentary information based on seizures, police operations against specific trafficking and production organisations, and soft intelligence information. In 2003, the UNODC tried to put together a global overview of that market.

In this briefing, we will take a close look at the figures of the global ecstasy market, as well as the position of The Netherlands in synthetic drug production and trafficking. An attempt will be made to try to explain why Dutch groups have gained and maintained prominence on the global ecstasy market since its genesis in the late 1980s.

Without insight into the functioning of criminal networks involved in the illicit ecstasy industry, it is not possible to understand the functioning of the market. While at a certain moment, The Netherlands provided a set of beneficial conditions for the development of an illicit ecstasy industry, a different set of conditions could favour the development of productions facilities and trafficking lines elsewhere.

Founded in 1974, TNI is an international network of activist-scholars committed to critical analyses of the global problems of today and tomorrow. It aims to provide intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.

The Crime and Globalisation project examines the synergy between globalisation and crime. It looks at the criminogenic effects of globalisation, on the one hand, and new discourses about an underground "axis of evil" of drug trafficking, transnational organised crime and international terrorism, on the other. The project aims to stimulate critical thinking about mainstream discourses, which turn a blind eye to the criminogenic effects of globalisation, while seeking to make links between the 'criminal underworld' and political terrorism.

As regards the criminogenic effects of globalisation, the project is concerned with the number of people being forced to "migrate into illegality" due to impoverishment and marginalisation. It is also concerned with the rise in corporate or white-collar crime as economies become more and more deregulated.

As regards the 'axis of evil' of drug trafficking, trans-national organised crime and international terrorism, currently being constructed as the new major global security threat, the project is concerned with the body of multilateral agreements put in place 'to fight the scourge'. These are being adopted on the basis of vague definitions, scant information and tenuous links, and have serious consequences for civil liberties, human rights and national sovereignty.