

**CRIMINAL INTELLIGENCE SERVICE CANADA**  
**1998 ANNUAL REPORT**



Criminal Intelligence Service Canada  
Annual Report on Organized Crime in Canada

1998

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## **EXECUTIVE SUMMARY**

Virtually all of the criminal groups identified in previous editions of the CISC Organized Crime Report continue to be active in Canada. Where change has occurred has been in the nature and extent of their activities, which, in many cases, have expanded significantly.

Asian-based organized crime continues to be deeply involved in the importation and distribution of Southeast Asian heroin and is acquiring a larger share of the cocaine trade, particularly in Western Canada. Asian-based groups smuggle both people and commercial goods and are extending their involvement in white collar crime. One credit card fraud linked to an Asian-based criminal group resulted in a loss of \$16 million to the Canadian financial industry.

Eastern European-based organized crime in Canada is becoming increasingly sophisticated and has extended its reach throughout the country and internationally. Eastern European-based groups are particularly active in the theft and export of automobiles. They also launder money through Canadian financial institutions and are aggressively seeking out promising financial ventures.

Aboriginal-based organized crime and criminal extremist activity continues, with an emphasis on smuggling. Aboriginal street gangs continue to extend their influence in the urban centres on the Prairies.

Italian-based crime syndicates continue to be a major force in the Canadian criminal underworld. Their power derives from their enormous wealth, which they have channelled into legitimate business and their wide-ranging alliances with other criminal organizations.

The Hells Angels remain one of the most well-structured criminal groups in the country. They underwent a period of aggressive growth during 1997, adding three new chapters to the 11 that already existed across the country. They

continue to pursue a bitter feud with the Rock Machine, which is on the verge of being absorbed by the Texas-based Bandidos.

Criminals in Canada have ready access to a wide variety of firearms, including automatic weapons. This arsenal is growing constantly, supplemented by stolen guns and by the steady flow of illegal firearms into the country. A national database, currently under development, will permit centralized tracing of weapons used in the commission of criminal offences and will support the development of intelligence and investigative leads.

Paedophiles have grown steadily more sophisticated and regularly use new technologies such as the Internet to seek out and entrap their victims. Governments, advocacy groups and child welfare and law enforcement agencies have united to develop meaningful policies and legislation to combat the sexual victimization and exploitation of children

Canadian seaports are important entry points for contraband, including drugs, firearms and illegal immigrants. Organized crime groups also use them to smuggle goods, most notably stolen automobiles, out of the country.

Lucrative and comparatively risk-free, migrant smuggling remains a rapidly growing form of criminal endeavour, both within Canada and abroad. The vast numbers of refugees, stateless persons and economic migrants throughout the world virtually guarantee profits for groups involved in the organized smuggling of human beings.

Contraband smuggling remains a serious issue in Canada. Smugglers no longer limit themselves to tobacco and alcohol but are moving aggressively into such commodities as jewellery, Cuban cigars, endangered and protected animal parts, foodstuffs and CFCs. Increasing levels of violence associated with the contraband trade raise serious public safety issues.

Drug trafficking remains the principal source of revenue for most organized crime groups operating in Canada. Both Italian and Asian-based organized crime groups are at the upper echelons of drug importation, while Colombian-based traffickers remain firmly in control of most serious cocaine trafficking in Eastern and Central Canada. Outlaw motorcycle gangs are deeply implicated in large-scale importation and distribution of cannabis, cocaine and chemical drugs and a number of small but aggressive entrepreneurial groups are emerging. HIV prevalence among injection drug users appears to be increasing to an alarming degree.

Canada's lack of mandatory financial reporting requirements permits organized crime groups to launder proceeds and move funds with relative ease. This situation is now complicated by the explosive growth of electronic commerce, which has permitted money launderers to expedite and to camouflage their activities. The proliferation of electronic technology has also affected other areas of criminal activity and criminals have become expert users of the Internet. Fluid and ever-changing, "virtual crime" may prove to be the most serious challenge facing Canadian law enforcement today.

1997 saw a 26 percent increase in the number of counterfeit Canadian bank notes reported to police. Losses due to credit card fraud increased by \$8 million to \$88 million. The availability of counterfeit currency and losses due to credit card fraud will undoubtedly increase in 1998, primarily as a result of the availability of extraordinarily sophisticated scanning and desktop publishing equipment.

MESSAGE FROM THE CHAIR  
CRIMINAL INTELLIGENCE SERVICE CANADA  
COMMISSIONER J.P.R. MURRAY



Crime is impossible to ignore. Even if we are not ourselves victims of some sort of criminal activity, newspapers, magazines, television programmes and popular fiction are replete with images of crime and criminals. It is easy to believe that we live in the midst of an epidemic and that crime and its perpetrators are more sophisticated, more cunning, more fundamentally than ever before. This is an illusion. Criminals have not changed significantly over the centuries. All criminals are motivated by greed. All criminals seek wealth and power through the exploitation of human and material resources and deficiencies in government and the rule of law.

What has changed, and what continues to change, is the social and political milieu in which criminals function and the resources and opportunities that are available to them. Criminals and criminal groups in Canada are able to take advantage of a number of factors shaping the contemporary world, including the process of globalization and the proliferation of technology. While these factors determine the course of criminal activity in our society, they also affect each one of our lives in ways that we are still struggling to understand. Thus, crime and criminals are no more than mirrors of the society in which they exist.

Criminal organizations cultivate an image of omnipotence and invulnerability. In reality, organized crime is a phenomenon that is fundamentally flawed. It is self-destructive and driven by greed, so that while it may exercise scrupulous caution in most of its endeavours, its reach ultimately exceeds its grasp. Thus, while this report paints a picture of criminal activity in Canada that is at times alarming, it is important to remember that criminal vulnerabilities remain constant and that we are learning to exploit them to our advantage. This is not a task that can be undertaken by any one police force or government agency, however. As always, it will require cooperation on both a national and a global scale, a universal recognition that organized crime is a problem that affects all nations and all people.

The role of Criminal Intelligence Service Canada (CISC) in this is critical. Its intelligence gathering, analysis and dissemination capabilities ensure that current information is made available in a timely fashion to those who need it. Its focus on emerging issues, such as sexual exploitation of children and the trade in contraband firearms, ensures that all of its member agencies remain informed and able to respond to new forms of criminal activity. And in what may be its most important contribution to Canadian society, CISC fosters partnerships in Canadian law enforcement, thereby facilitating a united front against organized crime.



**MESSAGE FROM THE DIRECTOR  
CRIMINAL INTELLIGENCE SERVICE CANADA  
R. PHILIPPE**



Criminal Intelligence Service Canada is dedicated to the sharing of criminal intelligence among Canadian law enforcement agencies. Together with our police and enforcement partners, we are pleased to offer this report to the Canadian public. We believe that the struggle against organized crime begins with awareness and benefits from an aggressive community stance.

No part of Canadian society remains untouched by organized crime. Some forms of criminal activity, such as fraud, money laundering and corruption, are less visible than street level crime, however. This report is part of CISC's strategy to educate the Canadian public on the impact of organized crime and to elicit its informed support.

It has become increasingly apparent over the past several years that if organized crime is to be overcome, then the public and all levels of government must work in full partnership with police and enforcement agencies. Information sharing is the key to this partnership. With its various coordinating strategies and its comprehensive national network, CISC strives to provide the most accurate, timely information available in order to successfully combat organized crime.

## **NATIONAL ORGANIZED CRIME PRIORITIES**

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## **NATIONAL ORGANIZED CRIME PRIORITIES**

### **ASIAN-BASED ORGANIZED CRIME**

#### **Highlights**

- Asian-based organized crime is involved in smuggling commodities and people, as well as in trafficking heroin
- Asian-based criminal groups continue to expand their involvement in white collar crime.
- Asian-based groups are increasing in number and existing groups are expanding their activities in some regions.

#### **Current Situation**

In 1997, Asian-based organized crime continued to operate in the larger cities in Canada. Criminal organizations operating within Canadian Asian communities consist of four main elements: triads, gangs, DAI HUEN JAI (BIG CIRCLE BOYS) and criminal syndicates. Asian signature crimes include home invasion robberies, gang conflicts, assault, murder, extortion, fraud, credit card scams, drug importation and trafficking, shoplifting, gaming offences, counterfeiting and smuggling offences.

Much of the increase in violent Asian-related criminal activity can be attributed to Vietnamese, Laotian and Cambodian street gangs.

Criminal groups operating in the Asian community continue to be responsible for most counterfeit credit card fraud in Canada. Asian-based groups have also been involved in the distribution of counterfeit currency. There is a predominance of Asian-based criminals at every level of the Canadian heroin trade, from importation to street-level distribution. They are also involved in the smuggling and trafficking of multi-kilogram quantities of cocaine.

Asian criminals continue to be involved in the smuggling of illegal migrants. In September 1997, police and immigration officials arrested approximately 40 people involved in a prostitution ring. This ring smuggled Asian women, primarily from Thailand and Malaysia, into North America via Vancouver and subsequently placed them in brothels in Vancouver, Toronto and Los Angeles. The women, ranging in age from 16 to 30, were recruited by syndicates in Southeast Asia and indebted for sums ranging upwards to \$40,000. They were moved from place to place in Canada and the United States and were required to pay off their debts through prostitution. It is estimated that this prostitution ring made \$2 million to \$3 million per year.

In British Columbia, the DAI HUEN JAI are still the predominant Asian-based organized crime group. They have ties to Toronto, the United States and Hong Kong. Members of the BIG CIRCLE BOYS continue their involvement in international organized credit card rings, the importation and trafficking of heroin and gang-related homicides. One of their credit card fraud operations resulted in a loss to Canadian banking institutions of more than 16 million dollars, the largest single loss of its kind.

The LOTUS GANG, with more than 100 members and connections to the Hells Angels and Indo-Canadian-based crime groups, has been active in the Vancouver area with cocaine and heroin importation and trafficking, credit card fraud, extortion and cellular telephone cloning.

Vietnamese gangs, made up of both ethnic and Chinese Vietnamese and varying in size from 200 to 300 members, control much of the street level drug trade in Vancouver. They are also involved in the contraband tobacco trade and throughout 1997 a Vietnamese group shipped more than 3,600 cartons of assorted cigarette brands with a retail value of \$170,800 to British Columbia from Ontario.

A two-year investigation into the export of stolen automobiles to Southeast Asia concluded in August 1997 with the arrests of a number of major Asian criminal figures from around the British Columbia Lower Mainland and the province of Quebec. The investigation also uncovered a conspiracy to murder the leader of the SHUI FONG Triad, who had immigrated to Vancouver.

In other Asian gang-related activity, members of the Seattle, Washington VIET BOYS Gang associated with gang members in the Vancouver area during 1997. A member of the FLYING DRAGONS Gang was deported back to New York from British Columbia on a Canada-wide immigration warrant for parole violation on a kidnapping conviction.

In Alberta, 1997 saw an increase in the theft of luxury vehicles by Asian-based criminals. Vietnamese youth gangs in Edmonton were notably violent, often resorting to machetes as their weapon of choice. In Calgary, the RCMP and the Calgary Police Service arrested senior members of the KUNG LOK and WO SING WO triads on drug and immigration-related charges.

More than half the targets of the Calgary Police Service Drug Undercover Street (DUST) team are Asian criminals. There is every indication that these individuals are actively expanding their share of the local drug trafficking scene. In one case, a known trafficker deposited in excess of \$400,000 into a bank account over a two month period.

Calgary features a well-defined and intricate underground banking system which is utilized by the Asian-based organized crime. So too, fraud and passing counterfeit currency continue to be favoured crime types. In 1997, an Edmonton subject was charged with fraud and nine counts of using counterfeit credit cards. Over a short time period, the individual had run nine counterfeit credit cards through his grocery store and defrauded a bank of approximately \$80,000. Two

additional cards were tracked to an associate's business, where an additional \$39,000 had been defrauded from the same bank. This secondary business was on the brink of bankruptcy when the frauds occurred.

A number of factors may combine to cause an increase in Asian-based organized crime in Alberta over the next year. The province is experiencing an economic boom and its Asian population is growing, particularly in the cities of Calgary and Edmonton. Large, well-established Asian-based criminal groups are active in nearby British Columbia. As US authorities increase their surveillance on border crossings south of Vancouver, the Alberta/Montana border may become an important crossing point for smugglers of heroin, migrants and tobacco. In Saskatchewan, cocaine trafficking increased in the Saskatoon area where the product being distributed by Asian-based traffickers is in great demand due to its quality and purity. Asian-based networks are expanding and the principal figures are insulating themselves by employing non-Asian dealers at street level.

Police in Winnipeg have confirmed that Asian-based criminal groups are extracting protection money from local restaurants. The extent of this activity is difficult to gauge as the victims are often reluctant to report it to the police. Asian and aboriginal-based drug traffickers are also cooperating in the Winnipeg drug trade and there are indications that the LOTUS GANG from Vancouver is taking an interest in the Winnipeg market.

The most active Asian-based groups in Ontario are the BIG CIRCLE BOYS, Vietnamese groups, and Hong Kong syndicates. Heroin trafficking remains the crime of choice. The BIG CIRCLE BOYS and Hong Kong groups regularly import large, multi-kilogram shipments of heroin under commercial cover. Police estimate that at least a dozen, if not more, major syndicates are importing at

regular intervals. Smaller BIG CIRCLE BOY groups periodically import kilogram loads of heroin concealed in parcels.

Since late 1994, Asian-based groups in Toronto and other Canadian cities have become international suppliers of forged credit cards. Hong Kong groups concentrate on Asian markets while the BIG CIRCLE BOYS supply the Americas and Europe, where increasing numbers of BIG CIRCLE BOYS have been establishing themselves since the early 1990s. Vietnamese-based groups are the main retailers and users of forged credit cards, although it is an activity that is by no means limited to the Asian criminal community.

Ontario Asian-based groups are also involved in the export of stolen vehicles to China, Vietnam and other South East Asian countries. They are also importing Malaysian and Thai women for prostitution in North America.

The Fukienese are an emerging Asian-based organized crime group that dominates the New York City Asian crime scene. In the last ten years, Toronto's Fukienese population has grown to 7,000-8,000, with a corresponding increase in criminal activity. Fukienese criminals are involved in migrant smuggling, charging up to US\$35,000 per head to smuggle people from the Fuchow area of China into Canada and the United States. These fees are rarely paid in whole before the client is brought to Canada and illegal migrants are often the victims of extortion. Female migrants may be gang raped or sold into prostitution.

During the past year, Fukienese groups in Toronto have also been responsible for at least two home invasions-murders and a kidnapping for ransom. Police anticipate that there will be an increase in their level of criminal activities as the local Fukienese population grows.

In Quebec, more than 350 hard core Asian-based criminals are divided among 35 loosely structured gangs, two thirds of which are national or international in scope. These gangs regularly share personnel and expertise and are involved in heroin trafficking and loansharking. They also stage home invasions, although the extent of this activity is difficult to gauge as up to 95 percent of victims do not file a complaint. Outside of these 35 known gangs, Quebec is also the base for approximately 50 Vietnamese subjects engaged in organized shoplifting throughout Ontario and Quebec. The fruits of their labours are disposed of within their own community. Police in Quebec have curtailed the activities of approximately 20 individuals of Cambodian and Laotian origin who had committed thefts from machines of the Société de loteries vidéo du Quebec during the first six months of 1997.

### Outlook

- Asian-based organized crime will continue to control the importation and distribution of high quality Southeast Asian heroin.
- Asian-based criminal groups will continue to be involved in credit card fraud as well as in the theft and smuggling of computer components.
- Alberta's economic boom and other factors will foster the continued expansion of Asian\\_based organized crime throughout the province.
- The Asian crime phenomenon is growing in Quebec. Increased availability of heroin in Montreal has led to market saturation and the ensuing reduction in heroin prices will lead to an increase in the number of users and in crimes related to addiction.
- The criminal Vietnamese population is becoming more organized and sophisticated and will be more prominent in the importation and exporting of narcotics.



## EAST EUROPEAN-BASED ORGANIZED CRIME

### Highlights

- EEOC groups operating in Canada are becoming increasingly sophisticated. They are becoming more active and establishing significant international links.
- Canadian EEOC groups participate in international networks that illegally export numerous consumer goods from Canada, including stolen automobiles.
- EEOC is using Canadian financial institutions to launder illegally obtained proceeds and transferring the funds to Eastern Europe.

### Current Situation

East European-based organized crime continues to extend its influence in Canada and operates in most regions of the country, from British Columbia to the Maritimes. The major centres of activity are Toronto, Montreal and Vancouver, although police have dedicated EEOC units in other centres, including Calgary, Edmonton and Halifax. Recent information indicates criminal activity in other parts of the Prairies.

EEOC criminal activities include extortion within the Eastern European community, large-scale shoplifting, prostitution, counterfeiting, drug smuggling and various types of white collar crime, including bank fraud and money laundering. EEOC groups are also involved in large-scale organized smuggling of consumer goods out of Canada, most notably stolen automobiles destined for Eastern Europe. There are also indications that EEOC is misusing Canadian financial institutions and markets to launder money.

EEOC groups operating in major centres across the country associate increasingly with each other and with other ethnic-based organized crime groups operating in Canada. In addition, significant international connections to the

Former Soviet Union, Eastern Europe and the United States have surfaced, indicating an increase in the activity and sophistication of EEOC in Canada. Two major EEOC figures in Canada have been deported, one operating in Toronto and the other in Montreal.

The first deportation was a result of an investigation by the RCMP and Immigration Canada. The second deportation was related to the subject's involvement in large-scale theft, an acknowledgement of the enormous harm inflicted on the Canadian economy by such non-violent activities as shoplifting and fraud.

### Outlook

- EEOC figures and groups from abroad will attempt to enter Canada and use Canadian citizens and residents to further their interests. There may be clashes as newer EEOC groups attempt to establish themselves.
- EEOC figures will try to invest their profits in Canadian financial institutions and markets, as well as in promising Canadian financial ventures such as Alberta's oil industry.
- EEOC groups will attempt to acquire a larger share of the Canadian drug trade.

## ABORIGINAL-BASED EXTREMISM AND CRIMINAL ACTIVITY

### Highlights

- New York state tax laws sparked violence on the Cattaraugus Reservation, near Buffalo.
- Machine guns, automatic and semi-automatic weapons were seized by the RCMP on the Kahnawake Reserve, south of Montreal, in September 1997. The seized weapons were part of a black market operation that sold firearms, explosives, drugs, cigarettes and alcohol. Relations between this Mohawk community and police were strained, but there was no retaliation for the seizure.
- Aboriginal street gangs continue to expand in the Prairie provinces.

### Current Situation

Organized crime and criminal extremist activity in aboriginal communities did not exceed previous years' levels in 1997. Anticipated civil disobedience and other disruptive activities on a large scale did not materialize. This, despite the outcomes of the Gustafsen Lake and Ipperwash trials, the Queen's visit and a federal election, all of which took place between April and July.

In British Columbia numerous minor incidents occurred, for the most part involving protests and railway blockades in remote areas. Gustafsen Lake extremists calling themselves TS'PETEN DEFENDERS organized protest rallies at the Surrey B.C. Courthouse. Local authorities believe that a criminal element among Aboriginal Gustafsen Lake sympathizers was behind a threat against three British Columbia Court of Appeal Justices.

Opposition to the Cheviot Mine Project, just outside Jasper National Park, has raised a number of native concerns regarding environmental and ecological impact and is a potential flashpoint for serious confrontation.

One of the most serious threats during the 1997 spring and summer period was New York state's decree that taxes would be collected on liquor, tobacco and gasoline sold on Indian reservations. As a result, violence broke out on the Cattaraugus Reservation, located south of Buffalo.

An RCMP weapons raid at Kahnawake in September 1997 netted several automatic and semi-automatic weapons including three belt-fed machine guns. The Mohawk community of Kahnawake is threatening to impose user fees on highways, railways and seaways crossing its territory, raising the stakes in a dispute with the province of Quebec over the sale of cigarettes. The threats were made after the Quebec government tried to eliminate fraud and the sale of contraband cigarettes on native reserves. A new policy, announced in June 1998, requires native retailers to pay an increased tobacco excise tax. Native retailers can only obtain a rebate if they can prove the cigarettes were not sold to non-natives. Native leaders have said they will refuse to comply. They want to establish Kahnawake as a duty-free zone. Negotiations between the Mohawk leaders of Kahnawake and the Quebec government will take place in future. Aboriginal street gangs continue to have a strong presence in the Prairie provinces. Expansion by the more organized gangs has slowed down while the more violent, unorganized ones appeal to younger people and are expanding rapidly. Many of these gangs are drawing members from other ethnic groups as well as from aboriginal communities.

A conflict between two factions on the Listuguj (Restigouche) Reserve on the Quebec\ New Brunswick border increased tensions in an area already known for conflicts over salmon and lobster fishing. The conflict stemmed from recent band elections which were contested by the losing faction. The Department of Indian Affairs intervened and new elections were called. This did not sit well with the ruling faction and militant action was threatened. Radicals from New Brunswick,

Quebec and Nova Scotia were brought in to assist. In the end, the ruling faction was voted out of office and another chief took over.

Another potential flashpoint is in New Brunswick where there have been minor confrontations over native logging on crown lands. In November 1997 the situation was complicated when Justice Turnbull of the Court of Queen's Bench ruled that natives have the right to cut trees on crown land. A native forest industry was born overnight attracting aboriginal workers from the United States and Quebec. Roadblocks and signs were put in place to keep out unwanted visitors. There have been minor confrontations to date. The issue has become somewhat more contentious with the province's successful appeal of Justice Turnbull's decision. Negotiations between the natives and different levels of government regarding logging rights are ongoing.

### Outlook

- Government response to the Royal Commission on Aboriginal Peoples (RCAP) report and the residential schools situation will be followed closely at the political level.
- Additional minor confrontations over native logging on Crown Lands in New Brunswick and Nova Scotia are likely, with some potential for violence.

## TRADITIONAL ORGANIZED CRIME

### Highlights

- In 1997, a number of major incidents, including unsolved murders, arson and drug importations, confirmed that Traditional Organized Crime (TOC) continues to be a threat in Canada.

### Current Situation

In Canada, Traditional Italian-based criminals belong to or are associated with one of three main organizations: the Sicilian mafia, the Ndrangheta, and the Cosa Nostra. The Sicilian mafia is the most influential of the three. It has ties to other Sicilian clans within the country, as well as throughout the world, particularly in Venezuela, the United States and Italy.

The main Sicilian organization is led by the SICULIANA family (CARUANA\CUNTRERA). They maintain links with other criminal organizations, particularly outlaw motorcycle gangs, Asian-based criminal organizations, Columbian and South American groups, Eastern European-based organizations and Aboriginal-based organized crime groups.

There is less violence within the Sicilian clan, in sharp contrast to groups like the outlaw motorcycle gangs. This shows that this criminal organization has total control over its jurisdiction and its criminal activities. It is fully mature and is able to use the accumulated wealth from proceeds of crime to invest in legitimate enterprises and to engage in corruption.

In December 1997, Sabatino NICOLUCCI, a member a Sicilian organization, was found guilty in Superior Court on 172 counts, including four counts of conspiracy to traffic in cocaine and launder money. NICOLUCCI was sentenced to 19 years

in prison for his role in these offences, which emerged during an RCMP undercover operation. The exchange office used as a front during the operation cleared close to \$30 million in drug money for NICOLUCCI from 1990 to 1994. In Ontario, two high-ranking Italian-based organized crime members, namely John PAPALIA of Hamilton, Ontario and Carmen BARILLARO, a Papalia associate from Niagara Falls, were murdered in May and July 1997. These individuals were considered official Ontario representatives of the Buffalo based COSA NOSTRA organization.

Project CAVIAR/OVERDATE, an RCMP investigation that concluded at the end of 1997, led to the arrests of 32 individuals in Canada and in Spain. Major crime figures, mostly Italian-based organized crime members, were charged with conspiracy to import hashish and cocaine into Canada, as well as conspiracy to traffic in cocaine. They all pleaded guilty and were sentenced to varying prison terms. The same holds true for those individuals arrested as a result of Project CHOKE, in April 1996, and Project OILPALM, the Ontario segment of the investigation. All those arrested pleaded guilty and were sentenced to various prison terms.

Seven purported "made members" of the Sicilian Mafia and the Ndrangheta continue to reside in British Columbia. Meanwhile, younger Traditional Organized Crime (TOC) members in the area operate a variety of legitimate businesses. Some TOC owned restaurants and cafes feature illegal video gaming machines and backroom gambling operations, with particular emphasis on sports betting and horse racing. In some cases, known cocaine and heroin importers and traffickers operate out of these premises as well. Only a few TOC members in the Vancouver community have national or international links although there are affiliations to other criminal groups, including Asian-based, Colombians, Eastern European-based groups and the Hells Angels.

Quebec-based TOC continues to exert influence in Manitoba. In December 1997, RCMP Project DENOTE culminated in the arrest of several cocaine traffickers. Third generation Ontario TOC members are entering adulthood and getting involved in criminal activity. This group appears to be straying from the traditional strict TOC code of trust, respect, honour, silence and solidarity within the family. Their business dealings have expanded beyond the ethnic group to include representatives of Asian, Colombian and Eastern European criminal organizations as well as Outlaw Motorcycle Gangs.

In Quebec, the CARUANA-CUNTRERA and other TOC families are primarily involved in trafficking cocaine, heroin and hashish and have close ties with TOC groups in Toronto, the BONNANO family in New York, and the CUPOLA in Sicily. On July 15, 1998, a raid in Toronto by members of the Combined Forces Special Enforcement Unit resulted in the arrest of Alfonso CARUANA, reputed head of the CARUANA-CUNTRERA family, on drug-related charges. Eleven others were arrested in Richmond Hill, Ontario, Montreal and Cancun, Mexico. The two year Project OMERTA, involving police in Italy, Mexico and the United States, uncovered money laundering and drug smuggling between Canada, the United States, South America and Switzerland worth millions of dollars.

TOC influence extends into businesses as diverse as automobiles, real estate, construction, restaurants, wholesale food, hotels, and paving and asphalt. They are also expanding into telecommunications through cellular and pager companies.

TOC derives its strength from its structured nature and from its highly developed ability to conceal its criminal activities behind a facade of legitimacy. Even when arrests are made, the consequences are rarely drastic. In January 1997, a member of a Sicilian clan received ten years for the importation of two tonnes of cocaine. The same individual had been arrested for money laundering in 1994 as



part of Operation COMPOTE. In April 1997, Frank COTRONI and his son were sentenced to seven and eight years respectively for conspiracy to import 170 kilograms of cocaine.

In June 1997 OPERATION CHOC, a Montreal Urban Community Police Department (MUCPD)/ RCMP joint force operation, disrupted an organization that was specializing in the importation of liquid hashish from Jamaica. One of the leaders was linked to a Sicilian clan and was carrying out this operation from the penitentiary in which he was incarcerated.

One of the great handicaps in many complex TOC investigations is that sentences are often shorter than the time taken to complete the investigation. In 1997, Joseph LAGANA, a lawyer convicted of laundering \$47 million for a Sicilian organization took advantage of legislation that permits non-violent offenders to apply for release after serving one sixth of their sentences. In this case, the subject was released after serving a little over two years of a thirteen year sentence.

Many major drug shipments and offloads in the Maritimes have been directed and funded by TOC groups in Montreal and Toronto. Given the high level of TOC interest in the area and their numerous successes there, it is likely that the East Coast will remain an important staging ground for large scale drug importation operations.

### Outlook

- Italian-based criminals will continue to engage in corruption to obtain favours, and will persevere in their attempts to avoid prosecution. Their ability to influence political and financial figures constitutes a threat to the security of Canada.
- Money laundering will continue to be one of their key activities.

- Given their enormous wealth gained through illegal activities, Italian-based criminals who own legal businesses will be able to undersell the legitimate business community, creating unfair competition.
- Italian-based criminal organizations remain a real threat in Canada. They have enormous power, augmented by their relationships with other criminal organizations.

## **HELLS ANGELS/OTHER OUTLAW MOTORCYCLE GANGS**

### **Highlights**

- The HELLS ANGELS are still one of the most powerful and well-structured criminal organizations in Canada. In 1997, they continued to grow and added three new chapters to the 11 that already existed across the country.
- Drug trafficking remains their primary and most lucrative criminal activity.
- The armed conflict between the Hells Angels and the Rock Machine still rages in the Province of Quebec.
- The armed conflict between the HELLS ANGELS and the ROCK MACHINE is still raging in Quebec.

### **Current Situation**

Among the 38 known outlaw motorcycle gangs (OMGs) in Canada, the HELLS ANGELS are by far the most powerful and well-organized of all. Combating this criminal organization remains a national police priority.

In Quebec, the war between the HELLS ANGELS and the ROCK MACHINE has been a police priority. The conflict, which erupted in July 1994, has claimed 68 lives to date. There have been 71 attempted murders, 81 bombings, and 93 cases of arson against gang-related businesses and bars, for a total of 313

violent incidents. It is obvious that this war has now spread throughout the province.

High ranking members of the ROCK MACHINE held discussions with their counterparts in the Houston-based BANDIDOS in 1997. Members of the ROCK MACHINE have also been seen in the presence of members of the Ottawa and Toronto-based OUTLAWS. The ROCK MACHINE is believed to have been granted hangaround status by the BANDIDOS. The BANDIDOS gang, which originated in Texas in 1966, now has 67 chapters and about 600 members worldwide.

The imminent arrival of BANDIDOS members in Canada has forced the HELLS ANGELS to reorganize their membership and puppet clubs. In June 1997, a sixth chapter, known as the SOUTH chapter, was created in the Montreal area. All members of this new chapter have had clean criminal records for the past five years, which may allow them to avoid prosecution under Bill C-95.

OMGs in Quebec remain heavily involved in all aspects of the drug trade and the HELLS ANGELS control most of the province's hydroponic marijuana operations. In the spring of 1997, the Sureté du Québec disrupted three hydroponic operations. One had a suspected link to the HELLS ANGELS Montreal chapter, the second was run by the DEATH RIDERS, a Montreal chapter puppet club, and the third was linked to the SATAN'S GUARD, a gang affiliated with the Trois-Rivières chapter.

The most damaging trend in Quebec is the current OMG policy of systematic intimidation of the provincial judicial system. To date, this has resulted in the destruction of thirteen police vehicles and, tragically, the murder of two correctional officers in the summer of 1997. A prominent HELLS ANGELS member is currently awaiting trial for his part in these murders.

In the Ottawa area, a special RCMP/Gatineau Police joint force operation led to the arrests of eight known associates of the Trois-Rivières HELLS ANGELS chapter and the Montreal-based NOMADS. These individuals were charged on drug-related offences and under the new anti-gang legislation.

Ontario is home to the highest number of outlaw motorcycle gangs (13) and to the largest contingent of motorcycle gang members. Despite a lucrative drug market, the HELLS ANGELS have yet to set up a chapter in this province. Events in 1997 signal a shift in the order of things, however, largely as a result of the continuing influx of Quebec-based HELLS ANGELS and rival ROCK MACHINE gangs into Ontario. Local OMGs have responded by recruiting new members and associates, forming strategic partnerships, stockpiling weapons and fortifying their properties. Hostilities among Ontario OMGs have also intensified.

Operation DISMANTLE is a province-wide initiative against the SATAN'S CHOICE involving eight Ontario police agencies. It has resulted in the arrest of 135 individuals on over 1,085 charges as of June 1997 and severe damage to the infrastructures of the Sudbury, Thunder Bay, Hamilton and Milton chapters. The investigation has curtailed SATAN'S CHOICE expansion in Ontario. Members of the SATAN'S CHOICE have been arrested for the bombing of the Sudbury Police Station that took place in December 1996.

Operation CHARLIE, an investigation into the criminal activities of members and associates of the St.Catharines chapter of the OUTLAWS, was an ongoing joint force operation. It resulted in the arrests of nine persons on numerous charges related to drugs, prostitution and attempted murder. Chapter president and former national president Mario PARENTE incurred a total of 14 drug trafficking and weapons charges.

In Manitoba, the Winnipeg-based LOS BROVOS celebrated their 30th anniversary in October 1997. They have about 24 active members and nine strikers, and have allegedly joined the HELLS ANGELS as a hangaround club. The SPARTANS, for their part, still have two chapters, one in Brandon and one in Winnipeg.

In Saskatchewan, the Saskatoon-based REBELS have become a HELLS ANGELS prospect club. They will most likely become the first HELLS ANGELS chapter in Saskatchewan in 1998.

In July 1997, the GRIM REAPERS of Alberta patched over to join forces with the HELLS ANGELS. The HELLS ANGELS created two new chapters, one in Edmonton and one in Calgary. Members of the Alberta REBELS are HELLS ANGELS prospects.

The five HELLS ANGELS chapters in British Columbia control the drug trade in the province, particularly the cultivation of hydroponic marihuana which they export in large quantities to the United States. They are also involved in the purchase of businesses and real estate as well as in the production of live sex shows for dissemination over the Internet.

Threats and assaults continue to be favoured HELLS ANGELS tactics to intimidate victims, potential witnesses and, increasingly, police and law enforcement officers. An adjunct to this indiscriminate use of violence is the tactic known as "swarming" in which OMG members and associates encircle a comrade to protect him from police and prevent his arrest.

The HELLS ANGELS Halifax chapter is experiencing financial difficulties. Intelligence indicates that the chapter owes a great deal of money to the HELLS ANGELS in Quebec as a result of a bungled drug import scheme. Police believe

that the HELLS ANGELS will not relinquish control of their territory in the Maritimes even though the present chapter seems ill-equipped to "take care of business". The area is crucial for drug importations and will not be abandoned to other OMGs or organized crime groups.

1997 saw the second OMG-related murder in Halifax in as many years. In 1996, a member of LOS BRAVOS (Winnipeg) was the victim. In 1997, the victim was local businessman and HELLS ANGELS associate, Robert MacFARLANE. He was the subject of investigations by various agencies and had been linked to a number of local criminals, most of whom were involved in the drug trade. Two Quebec men, both with links to HELLS ANGELS, were charged with the murder. One had also been implicated in the deaths of two ROCK MACHINE members. Individual members of the Halifax chapter continue to be involved in the local drug scene. Police believe that they are connected to a series of large scale drug importations. They have also been involved in the intimidation of guards at the facility where a HELLS ANGELS member is serving an eighteen month sentence for possession for the purpose of trafficking.

OMG activity in Halifax is also a concern for the Canadian Armed Forces. Police there have documented at least three instances in which Halifax-based military personnel have encountered members or associates of known outlaw motorcycle gangs. Beyond this, the most recently patched member of the Halifax chapter of the HELLS ANGELS served as a cook aboard a Canadian Forces vessel until his discharge in early 1995.

The Charlottetown Harley Club freely associates with "one percenter" gangs. It maintains a low profile but some members are involved in criminal activity, primarily drug trafficking controlled by the HELLS ANGELS. The club currently has 18 full members and three prospects. They associate with the Nova Scotia HELLS ANGELS.

In New Brunswick, the Quebec Chapter of the HELLS ANGELS control most of the drug trade through the EMERY MARTIN GANG in the northwestern part of the province. This gang was dealt a serious blow this year when some of its ten members were charged as a result of an undercover operation. In the Hillsborough and Moncton areas, the 12 member BACCHUS motorcycle gang continues its illegal activities with the support of the HELLS ANGELS.

### **Legislative and Enforcement Initiatives**

In April 1997, Parliament amended the Criminal Code to provide authorities with the means to prosecute the crimes committed by criminal organizations, including outlaw motorcycle gangs. Since then, several gang members, including some from the Kingston-based ROCK MACHINE, have been arrested and charged under the new legislation. In October 1997, police in Edmonton arrested six members of the REBELS, including its president (also one striker, two hangarounds and one associate), and charged them with drug trafficking, conspiracy to traffic, possession of prohibited weapons, illegal storage, receiving stolen goods, and money laundering. In November 1997, the CARCAJOU squad seized the HELLS ANGELS clubhouse in Quebec City under provisions of the new anti-gang legislation. In December, Maurice BOUCHER, leader of the NOMADS chapter, was arrested and charged with the premeditated murder of two correctional officers. The National Strategy on Outlaw Motorcycle Gangs that was adopted by Canadian law enforcement in February 1996 continues to be implemented. The strategy presents a coordinated law enforcement effort aimed at dismantling the activities of OMGs in Canada.

## Outlook

- The ongoing war between the HELLS ANGELS and the ROCK MACHINE, as well as the arrival of the BANDIDOS gang, could provoke an escalation of motorcycle gang-related violence in Quebec and Ontario.
- Threats and intimidation of victims, potential witnesses and police will continue to be instrumental in OMG criminal activity.



## **OTHER MONITORED AND EMERGING ISSUES**

### **ILLEGAL MOVEMENT OF FIREARMS**

#### **Current Situation**

Firearms are a constant threat to Canadian police officers and other law enforcement officials. Criminals in Canada have ready access to a wide variety of firearms, including increasing numbers of automatic weapons. In many cases, firearms seized by the police entered Canada legitimately and were subsequently purchased or stolen by criminals. In other cases, the firearms entered the country illegally. This is particularly true of handguns and assault rifles.

There are currently more than 1.2 million registered firearms in Canada, mainly handguns. The number of rifles and shotguns in the possession of Canadians is currently unknown, but is presumed to surpass the number of registered firearms by a considerable margin. During the last 20 years, more than 87,000 firearms have been reported stolen, lost or missing in Canada. From this, it is clear that there is an enormous underground arsenal of firearms available to the criminal world.

This arsenal is supplemented by the steady flow of illegal firearms into Canada. One smuggled firearm may be used repeatedly by criminals until it is either discarded or seized by the police. Frequently, police recover firearms that have been in Canada for twenty years or more.

The United States remains the source of most legal and illegal firearms in Canada. It is relatively easy for Canadians to acquire firearms in the United States either by themselves or through a straw purchaser. Firearms are smuggled into Canada through both normal ports of entry and unsupervised border crossings. Both individuals and small groups are involved and loads of two to twelve firearms are the norm. Firearm couriers are not necessarily habitual criminals or members of organized crime

groups, notwithstanding the fact that most of their customers are. Canada Customs seized 1,317 firearms in 1997, of which 1,025 (78%) were handguns. The vast majority of these firearms were the personal weapons of US citizens and not linked to smuggling operations.

Intelligence continues to point to aboriginal reserves, in particular Akwesasne, as conduits for illegal firearms entering Canada. They also have served as storage and distribution centres for illegal firearms. In September 1997, the RCMP seized numerous firearms, including assault rifles, in a raid on the Kahnawake Reserve. This operation confirmed that the reserve was being used as a cache for illegal firearms smuggled from the United States and sold to various crime groups in Ontario and Quebec.

There are individuals in Canada attracted to the US "militia" philosophy or who espouse similar anti-government ideology. The possession of numerous firearms is viewed by these individuals as essential to their concept of personal freedom and some have been linked to firearms smuggling.

Weapons are essential to criminal activity and most criminal groups ensure ready access to firearms by establishing weapons caches. In October 1997, the CARCAJOU anti-gang squad in Quebec discovered a weapons cache in Montreal that included 13 firearms along with ammunition, grenades and explosives. Intelligence indicated that the weapons would have been used in the conflict between the HELLS ANGELS and the ROCK MACHINE.

A national database is currently being developed and implemented as a result of initiatives by the Department of Justice Working Group on the Illegal Movement of Firearms to assist law enforcement agencies in combatting the illegal movement of firearms. This national database, which is scheduled for activation in October 1998, will record all the firearms which come into the possession of Canadian law enforcement agencies. It will provide centralized tracing of guns used in the commission of criminal offences in order to establish their

provenance. The information gained will be used to support police investigations and to develop tactical and strategic firearms intelligence.

## Outlook

- Criminals and criminal organizations will continue to seek out and acquire firearms, particularly high-powered, rapid fire weapons.

## SEXUAL EXPLOITATION OF CHILDREN

### Highlights

- Sexual victimization and exploitation of children is the subject of a national strategy being developed by CISC and various enforcement and government agencies.
- The Internet is emerging as one of the primary means of facilitating this type of criminal activity.

### Current Situation

Awareness of the predatory nature of sexual crimes against children is growing, both within Canada and internationally. Child pornography, prostitution, sex tourism, abduction for sexual purposes, missing children and the activities of paedophiles and sexual predators have become priority matters for police and enforcement agencies, child welfare agencies, advocacy groups and governments. Of particular concern is what appears to be the increasing sophistication of paedophiles and their ability to use new technologies such as the Internet to seek out and entrap their victims.

## Outlook

- Increased public awareness and the development of policies and guidelines will be powerful weapons in the struggle against sexual victimization and exploitation of children.

## **ORGANIZED CRIME IN CANADIAN SEAPORTS**

### Highlights

- Ports Canada police has been disbanded and enforcement at Canadian ports has been assumed by private security companies and local police agencies.
- Organized crime uses seaports to smuggle contraband into Canada and to export illegal goods to foreign markets.
- Canadian law enforcement agencies continue to make numerous drug seizures at seaports including multi-kilogram quantities of heroin, cocaine and cannabis.

### Current Situation

Criminal Intelligence Service Canada is in the process of evaluating the threat posed by criminal organizations to the integrity of Canadian seaports of entry. This process is being conducted in conjunction with the RCMP, Canada Customs, and the provincial and municipal police forces involved in enforcement at Canadian ports. Ports Canada Police was disbanded by the end of 1997 and private security companies currently provide port security with general law enforcement assumed by the police agency with the appropriate jurisdiction. In Vancouver, the Coordinated Law Enforcement Unit (CLEU) has established a Ports Intelligence Unit to assist in combating organized crime at the Port of Vancouver.

Criminal organizations are firmly entrenched in all major Canadian seaports and are responsible for the bulk of the contraband entering Canada through the ports. This trend parallels the penetration of legitimate business by criminal organizations. It is usually accomplished through the placement of criminal members, associates, relatives and friends in legitimate employment positions at the port.

This presence allows criminal organizations to acquire valuable knowledge of import and port procedures and to monitor law enforcement activity at the port. Associates in key positions facilitate the movement of contraband into the ports and ensure that it remains concealed until it can be removed and distributed on the contraband market. They also facilitate the theft and diversion of legitimate imported goods and assist in the export of illegal goods, such as stolen vehicles, from Canada to other countries. Groups involved in this activity include traditional organized crime, Asian and East European-based organized crime and outlaw motorcycle gangs.

Canadian seaports are entry points for illegal migrants and a variety of contraband including drugs, alcohol, tobacco, and firearms. Of these, illegal drugs currently pose the greatest threat. Canada Customs, with the assistance of the RCMP and other police agencies, seizes significant quantities of drugs as they enter Canada's seaports, most often concealed within legitimate consignments of import goods. Notable seizures in 1997 included 455 kilograms of cocaine in a container shipment of Colombian coffee at the Port of Vancouver, seven kilograms of heroin inside drums of hazardous chemicals from China at the Port of Toronto and almost 1,700 kilograms of marihuana inside a refrigerated container of Jamaican foodstuffs at the Port of Halifax.

## Outlook

- Seaports will continue to be used to move both illegal migrants and significant quantities of contraband into Canada, including drugs. The export of stolen vehicles to foreign countries will also continue.
- CISC will evaluate the extent of this threat of organized criminal activity to the integrity of Canadian ports.

## **ORGANIZED CRIME GROUPS AND ILLEGAL MIGRATION**

### Highlights

- The smuggling of illegal migrants into Canada is a lucrative and growing business. Large sums of money can be extracted from individuals wanting to relocate.

### Current Situation

The smuggling of illegal migrants is big business. Syndicates operate all around the world in countries as diverse as Iran, India, the Peoples Republic of China (PRC), Sri Lanka, Pakistan, Hong Kong, Thailand, Nigeria, Brazil, the United States and Canada.

Syndicates charge their clients anywhere from \$5,000 to \$50,000, depending on the destination and the complexity of the smuggling route. The cost generally includes counterfeit documents and airline tickets as well as the use of safehouses and contacts throughout the journey.

In most cases, migrant smuggling organizations operating in Canada are loosely affiliated to or wholly independent of major organized crime groups. On the international front, however, transnational criminal organizations such as triads, BIG CIRCLE BOYS and Russian-based groups are involved in most aspects of migrant smuggling.

The identification of routes used to smuggle illegal migrants has always been difficult, since they change rapidly, almost from month to month. Many illegal migrants use Canada as a transit point to reach the United States.

Some illegal migrants are involved in major criminal activity upon arriving in Canada, often as a means of paying off debts incurred for their passage and forged documents. Such activity can include prostitution, extortion, drug trafficking and theft. There have been many documented cases of such pay-back schemes, including migrants forced into slave labour in the United States. Such situations are rarer, although not unheard of, in Canada.

## Outlook

- Migrant smuggling will continue to be a problem. It offers organized crime groups the double incentive of high returns on investment and relatively minor sentences in the case of conviction.
- In Canada, migrant smuggling will run the gamut from citizens participating in a single smuggling offence, such as the illegal escort of a relative, to huge, highly powerful multinational organizations working with organized crime.

## CONTRABAND SMUGGLING

### Highlights

- Organized crime continues to dominate the contraband trade, particularly in Central Canada. Most contraband tobacco flows to the eastern and western provinces from Ontario and Quebec, while other commodities tend to flow from south to north and vice versa.
- The presence of organized crime ensures that smuggling operations are highly sophisticated, with unlimited resources and a serious potential for both violence and corrupt activity.

### Current Situation

The year 1997 saw important developments in the area of contraband smuggling. A number of complex investigations concluded successfully with sentences that reflected the magnitude of the offences involved. An Ontario-based smuggler received a six-year prison sentence and a fine of \$1 million and a British Columbia judge ruled that alcohol and tobacco smuggling was as serious a crime as drug trafficking.

Alcohol and tobacco remain the primary commodities of the contraband trade, a function of demand and large price differentials. In 1997, interprovincial movement of tobacco products emerged as a serious issue, primarily involving transport of large quantities of tobacco from Ontario and Quebec, where prices are low, to other parts of the country. The new Tobacco Act, Bill C-71, enacted in April 1997, is expected to provide the legislative power to deal with such shipments, with enforcement administered primarily by Health Canada.

Another trend observed in 1997 was the sale of tax free tobacco intended for aboriginal reserve residents to non-aboriginal retailers, primarily by retailers on the reserves themselves. A subject at Kahnawake was distributing tobacco



products to over 170 convenience stores in the Montreal area. One reserve in British Columbia reduced tobacco quotas in an attempt to curb this type of activity.

Alcohol is another attractive commodity for smugglers. The Liquor Control Board of Ontario estimates that the illegal liquor industry is a \$644 million business. The price differentials are quite startling. For example, a 750 millilitre bottle of liquor with a Canadian price of \$20.00 will sell in the United States for \$9.50. The black market price will be \$13.00. In Canada, the total tax per 750 ml. bottle averages \$16.14 or 83% of the retail price. In the United States, the total tax averages \$5.51 or 44% of the retail price.

In Ontario, a number of members of a major smuggling organization were brought to trial. The liquor was supplied by up to a dozen US distilleries. In Alberta, the privatization of liquor sales has created the potential for abuse of the supply system. The BC Liquor Distribution Branch (LDB), meanwhile, determined during regulatory inspections that approximately 70% of the licenced establishments visited were not purchasing liquor through the LDB.

Evidence of the manufacture of illicit spirits, or moonshine, mounted over 1997. A still dismantled in the Montreal area had a capacity of up to 35,000 litres per week, while another, in Quebec City, was producing 800 litres per week. The Montreal operation was able to supply a major contraband distributor with over 3,900 cases of alcohol over an eight month period.

Ontario and Quebec remain the primary contraband entry points, and most of the smuggling there is now controlled by organized crime.

Few organizations limit themselves solely to smuggling. A recent investigation into a major contraband smuggling group concluded that it was involved in fraud,

theft, purchase and sale of bootleg alcohol, possession of counterfeit money, bribery, drug importation and trafficking and money laundering along with the usual alcohol and tobacco smuggling. Nor are groups content simply to smuggle alcohol and tobacco. Recent investigations have noted jewellery, precious gems, genuine and counterfeit Cuban cigars, endangered and protected animal parts, jeans, computer parts, chicken, butter, and CFCs among the contraband flooding back and forth across the border. Any high demand, high profit commodity is potential black market material.

### Outlook

- Contraband smugglers will continue to adapt to enforcement measures, varying their strategies, forging alliances and switching to new commodities as circumstances require.
- The violence associated with the contraband trade will raise serious public safety issues, as will the presence of increasing numbers of smuggled weapons on the Canadian market.

## **THE ILLICIT DRUG TRADE**

### **Highlights**

- Cannabis products, followed closely by cocaine, remained the most popular illicit drugs in Canada in 1997. The demand for chemical drugs is strong but varies considerably according to the availability of other psychotropic substances. Heroin abuse, although not as widespread as consumption of other illicit drugs, remains a major concern for police and health officials.
- Canadian health officials are alarmed about the high prevalence of HIV infection among users who inject drugs, particularly heroin and, more recently, cocaine.
- Drug trafficking remains the principal source of revenue for most organized crime groups operating in Canada.
- Over 100 tonnes of hashish enter Canada annually, destined mainly for Montreal organizations who distribute it in eastern Canada and the northeastern United States. More than half of these importations are organized by criminal groups based abroad.
- Italian-based organized crime is involved in upper echelon importation and distribution of many types of drugs. Asian-based groups are active in heroin and, increasingly, cocaine trafficking, from importation to street level. Colombian-based traffickers still control much of the cocaine trade in the cities of eastern and central Canada. Outlaw motorcycle gangs play a major role in the importation and large-scale distribution of cannabis, cocaine and chemical drugs. Independent Canadian and foreign entrepreneurs are also important suppliers of drugs to the Canadian market.

### **CURRENT SITUATION**

Health officials across Canada anticipate a continuing increase in the prevalence of HIV among injection drug users. This pattern has emerged even in cities which have long standing, well run harm reduction initiatives such as needle exchange programmes and outreach education. Increased incidence and prevalence of HIV infection have coincided with a growing trend among users to inject cocaine, either by itself or in combination with the use of other drugs such as heroin. The impact of this trend is serious. In the Ottawa region, for example, HIV prevalence among persons reporting to needle exchanges rose from 8 per cent in 1993 to 19

per cent in 1997. In Vancouver, it rose from 25 per cent in 1995 to approximately 50 per cent in 1997.

Certain crime groups dealing in the movement of illicit drugs continue to be involved in the trafficking of other commodities as well. These include counterfeit currency and credit cards, weapons, tobacco, liquor and, in some cases, illegal migrants.

## **HEROIN**

Throughout 1997, Southeast Asian heroin continued to be available across Canada at unprecedentedly low prices and with purity levels in excess of 90 per cent. Southwest Asian heroin trafficking activity remained at a low level, carried out primarily by small scale trafficking groups from Southwest Asia, the Middle East and Africa. In a more recent development, criminals from the Former Soviet Union are testing their ability to market Southwest Asian heroin in Canada. The availability of Colombian heroin on the Canadian market is believed to be extremely limited. Current laboratory analytical capabilities in Canada do not permit identification of the origin of seized heroin samples.

In 1997, investigators observed an increased incidence of small quantities of heroin arriving in Canada via the postal system or commercial messenger services. Concealment of heroin in hazardous material was noted in Toronto in 1997 when approximately 7 kilograms of heroin were discovered inside drums of arsenic en route from the People's Republic of China.

The largest seizure of heroin in Canada for 1997 occurred at Toronto's Pearson International Airport on December 28. Authorities found 42 kilograms of Southeast Asian heroin secreted inside the washroom wall panels of a commercial aircraft.

In 1997, the RCMP, the DEA, the FBI, Canada Customs and US Customs concluded a long-term joint investigation targeting Canada and US-based Asian criminals involved in the cross-border movement of narcotics. In addition to the undercover purchase of 2 kilograms of heroin on two separate occasions, investigators foiled a conspiracy whereby traffickers in Vancouver would supply 7 kilograms of heroin to individuals in Boston in exchange for 25 kilograms of cocaine. Other suspects attempted to hire the undercover operators to murder a rival in Alberta. Police arrested five men from Vancouver, Calgary and Boston.

## **COCAINE**

### **Current Situation**

Although there continue to be conspiracies to import cocaine by mothership and aircraft into Canada, most large shipments arrive in transport trucks en route from the United States or in marine containers arriving from South America. Indeed, containers represent the highest risk. In December, authorities in Vancouver discovered 420 kilograms of cocaine in a container load of coffee that had arrived from Colombia.

Cocaine enters Canada concealed in footwear, toiletries, false bottomed suitcases and dissolved in liquor, among other methods. Couriers tend to be females in their early 20s to mid 30s, who smuggle cocaine into Canada aboard commercial flights from Caribbean countries, primarily Jamaica and Trinidad and Tobago. An organization based in Edmonton transported the drug directly from Colombia, through Mexico and the United States to Edmonton, concealed in the gas tanks of sport utility vehicles.

Colombian trafficking groups are fully aware of the emphasis and resources applied by law enforcement to drug shipments originating in South America and are developing other routes to ensure safe passage of drugs into the United

States and Canada. There are indications that some traffickers may attempt to ease the pressure on their North American shipments by routing them through the Middle East.

Most cocaine importation routes into the United States are now controlled by Mexican drug cartels. While there is no appreciable evidence that these groups are active in Canada, most criminal groups in Canada are involved in cocaine trafficking at some level. Like any other form of commerce, the cocaine trade is based upon supply and demand and it is likely that Canadian groups will deal with Mexican groups if they are not already. Indeed, the large quantities of cocaine seized from trucks en route to Canada in the United States could indicate links between Canadians and US-based Mexican groups.

## **CANNABIS**

### **Current Situation**

#### **- Marihuana -**

Hydroponic marihuana cultivation remains a major concern across Canada. It is a huge industry, with huge potential profits for the individual criminals involved. A grower operating a small 50 plant hydroponic installation producing three crops of 15% THC marihuana a year can expect \$225,000 wholesale for an annual harvest. Most police agencies have reported an increase in the total number of plants seized, sites uncovered and in the size of the installations. Outlaw motorcycle gangs and other criminal groups are closely involved in the hydroponic marihuana trade, although their control is not absolute. Police in Quebec have uncovered marihuana "sweat shops", secret locations where labourers package marihuana buds and prepare marihuana residue for processing into liquid hashish.

While Canada is not a primary source of marihuana for the US market, the export of "BC Bud" marihuana to the United States is a flourishing business in British

Columbia. So too, the RCMP and the Sureté du Québec have noted shipments of "Quebec Gold" marihuana to the northeastern United States. There is also intelligence regarding Ontario crime groups exporting Canadian marihuana.

The main sources of imported marihuana on the Canadian market continue to be Colombia, Mexico, Jamaica and Thailand.

### **- Hashish -**

Police believe that approximately 100 tonnes of hashish are smuggled into Canada annually. Multi-tonne shipments arrive from Southwest Asia (Afghanistan and Pakistan), the Middle-East (Lebanon) and North Africa (Morocco) aboard motherships or concealed in marine containers. Virtually all of it is destined for Montreal. The hashish trade remains highly lucrative, and an importer can expect to earn approximately \$35 million for a 10 tonne shipment delivered to Montreal and sold off in multi-tonne lots. Foreign nationals orchestrate at least half of the large scale importations and sell entire loads to Montreal wholesalers for further distribution. Organized crime groups including Italian-based organized crime, the West End Gang and the Hells Angels, as well as a number of Canadian entrepreneurs not related to any established criminal organization, cooperate in these multi-tonne operations. Occasionally, hashish concealed in air cargo is seized as it enters Canada.

In early 1997, members of one of the largest international hashish trafficking organizations in the world were arrested as a result of a major undercover operation. During this operation, the RCMP, together with the DEA, intercepted four tonnes of hashish in Montreal and another four tonnes in Newark, New Jersey, believed to be destined for Montreal. These drugs were part of a 17 tonne shipment off-loaded to a US undercover vessel in the South Pacific.

In February 1997, a vessel was seized off the coast of Ireland, part of a conspiracy to import 50 to 60 tonnes of hashish into Canada. This conspiracy was orchestrated by a Montreal-based criminal organization with links to the Hells Angels and to crime figures in the Netherlands. The hashish in both of these cases originated or was to originate in Pakistan.

A number of marine containers carrying hashish were intercepted in 1997, including 326 kilograms inside a shipment of pepper in Burnaby, British Columbia. The shipment originated in Madras, India. Several large hashish shipments destined to Canada were seized abroad, including 475 kilograms seized from air cargo in Lahore, Pakistan and destined for a fictitious textile company in Quebec.

#### **- Liquid Hashish -**

Most of the liquid hashish seizures carried out in Canada during 1997 were executed at Pearson International Airport and involved travellers returning from Jamaica. The most common methods of concealment were body packs and luggage. The largest seizure in 1997, 75.5 kilograms in Vancouver from a container of Colombian coffee, was an isolated incident in terms of transport method. A conspiracy to import 450 kilograms into Canada, using approximately 15 couriers, was foiled with several arrests including a major trafficker from Quebec. In 1997, there continued to be cases in which liquid hashish had been concealed aboard commercial aircraft, particularly in the avionics and toilet compartments. Such seizures suggest the collusion of airline employees, particularly ground crews on both ends. Ten airport baggage handlers have been arrested in the past year by the RCMP for drug smuggling.

With the boom in Canadian grown marihuana, the manufacture of domestic liquid hashish has undergone a proportional increase. Since the marihuana itself has a high THC content, it is not uncommon to encounter liquid hashish with a THC



content in excess of 50%. The domestic product constitutes a small portion of the liquid hashish available in Canada, but is worthy of mention as production and availability may increase.

## **CHEMICAL DRUGS**

The domestic manufacture of illicit chemical drugs such as PCP, methamphetamine and LSD continues. Authorities have uncovered clandestine laboratories producing Ecstasy (MDMA) as well as conspiracies to manufacture emerging drugs like Nexus and various counterfeit pharmaceuticals. Outlaw motorcycle gangs are involved in many of these schemes. There continue to be numerous seizures of anabolic steroids originating in Europe, the Former Soviet Union and the United States.

Despite the proclamation of Bill C-8 in May 1997, regulations on the licensing procedures for import and export of precursor chemicals were still not finalized at the end of 1997.

## **Outlook**

- HIV prevalence among injection drug users will continue to escalate.
- Conspiracies to import multi-tonne shipments of drugs aboard motherships or private aircraft will continue. Marine and air cargo containers will remain the preferred transport method, however, because of lower detection risks and costs.
- Although there is no appreciable evidence of Mexican mafia activity in Canada, the possibility of links to major organized crime groups in Canada should not be discounted.

- Domestic marihuana exports will rise as Canadian producers find markets for their products in the United States.

## **PROCEEDS OF CRIME**

### **Highlight**

- As in previous years, criminal organizations took advantage of Canada's lack of mandatory financial reporting requirements to move illicit funds in 1997.

### **Money Laundering Trends and Enforcement Problems**

As in other countries, criminal organizations based in Canada continue to use businesses other than financial institutions to launder proceeds of crime. Of particular concern are foreign investments in the Canadian economy by individuals and companies associated with organized crime groups. Such investments are never directly linked to a substantive offence and therefore present real enforcement challenges. The cross border movement of cash by criminal organizations trying to conceal the origin of illicit funds continues unabated. In the last three years for example, Toronto Integrated Proceeds of Crime Unit (TIPOC) identified \$10 million in cash smuggled in and/or out of Canada through Toronto's Lester B. Pearson International Airport.

### **Changes and Enforcement Opportunities**

A number of legislative initiatives against money laundering were introduced in 1997. As a result of the new Controlled Drug and Substances Act, Proceeds of Crime Units can conduct reverse sting operations, a number of which were successfully carried out in the second half of 1997. Following amendments to the Criminal Code (Bill C-95), the instruments of organized crime offences can now be seized and confiscated. Using these new powers, law enforcement agencies seized the club house of the Hells Angels in St-Nicolas, Quebec, in November 1997.

## Outlook

- The rapid growth of electronic commerce creates new laundering opportunities for organized crime and presents law enforcement with serious challenges. Among the business sectors most affected by the advent of electronic commerce are the travel and financial industries, both of which are used heavily by money launderers and drug traffickers. Electronic business-to-business commerce is also a key growth area and companies make increasing use of the Internet to purchase supplies and settle accounts. The exchange of goods and services between businesses, in particular non-financial businesses, will continue to be used extensively by criminal organizations to camouflage the laundering of illicit funds.
- The consequences of the expansion of electronic commerce upon the ability of the police to combat money laundering remains unknown. Similarly, the effectiveness of existing laws and regulations in the electronic environment is not known and neither is the applicability of search warrants to international electronic transactions.

## COUNTERFEIT ACTIVITY

### Highlights

- In 1997, the number of Canadian counterfeit bank notes reported to police increased by over 26 percent in comparison to 1996 figures. The \$20 note accounted for 36 percent of all counterfeit notes reported in Canada.
- Losses due to credit card fraud increased to \$88 million in 1997. This is an increase of \$8 million when compared to 1996. It is estimated that approximately 50 percent of these losses are the result of counterfeit activity.
- The availability of scanners and other desktop publishing equipment has allowed criminal organizations to produce extraordinarily sophisticated counterfeit credit cards.

### **Current Situation**

Reported currency counterfeiting activity has steadily increased in 1997. The \$20 denomination has replaced the \$10 denomination as the primary vehicle of counterfeiters producing Canadian bank notes. The \$10 denomination accounted for 57 percent of counterfeits received in 1996 but has now dropped to 31 percent in 1997. The \$20 denomination has risen from 31 percent in 1996 to 36 percent in 1997.

Criminal organizations have been successful in duplicating the Optical Security Device (OSD) found on higher denomination (\$20, \$50, \$100 and \$1,000) bank notes, so that close to 50 percent of all reported counterfeits now carry a forged OSD. Fewer than 8 percent of counterfeits detected in 1996 carried an OSD. The ratio of counterfeit Canadian to US currency reported to police remained unchanged from 1996 levels. US currency accounted for 16 percent of all counterfeits reported in 1997.

It has been estimated that 50 percent of credit card losses due to fraud are the result of counterfeit activities. The practice of skimming genuine credit card information for use on a counterfeit credit card is growing at a significant rate. Approximately half of all counterfeit Canadian credit cards with skimmed information are used outside of Canada.

### **Outlook**

- Both the availability of counterfeit currency and losses due to credit card fraud will increase in 1998. The availability of sophisticated desktop publishing tools has simplified the process of producing counterfeits, in turn allowing more criminal organizations to become involved in this activity.
- The practice of skimming credit card information for use on counterfeit credit cards will increase in 1998. This type of activity will replace the practice of using

counterfeit credit cards that require manual keying in order to complete a transaction.

## **TECHNOLOGICAL CRIME**

### **Highlights**

- The Internet is being used as a means of facilitating various sorts of criminal activity.
- Electronic card readers, which provide access to and move funds between bank accounts, have become the target of choice for break and enter artists.

### **Current Situation**

Increasing use is being made of the Internet as a means of facilitating criminal activity, including prostitution, drug trafficking, the distribution of child pornography and fraud. In January 1997, a Montreal investigation uncovered three Internet sites that were defrauding visitors out of millions of dollars. The sites, which offered free pornographic pictures and access to their web pages, were defrauding users by disconnecting their modems and reconnecting them to a telephone number in the former Soviet Republic of Moldova. Thus, users ended up paying long distance tolls to Moldova, of which the site operators took a substantial cut. The long distance call remained connected even after the computer was shut down and required a full system reboot to disconnect.

The proliferation of technology has led to new forms of break and enter theft. Knowledgeable thieves gain access to Interac card readers and can download money and transfer funds in a matter of minutes.

## Outlook

- The need for anonymity and communications security will ensure ever-increasing exploitation of the Internet by organized crime groups. This will be particularly problematic in the area of fraud and in the distribution of child pornography.
- Subscription fraud, which provides simple access to bank accounts, will continue to be noted in cases of money laundering and major theft.

## ABOUT THIS REPORT

References to organized criminal activity associated to particular ethnic organizations in this report are not meant to suggest that all members of that specific ethnic group are involved in organized crime or that the government of the country of origin or its lawful agencies permits or participates in any illegal activities. These references allude to the illegal activities of particular criminal organizations, the majority of whose members share ethnic similarities.

The CISC 1998 Annual Report on Organized Crime in Canada is designed to present a comprehensive review of organized crime groups and their activities, based on intelligence and investigation reports from Canadian and international enforcement agencies. In particular, CISC relies on intelligence from CISC member agencies across Canada. CISC also works in close partnership with Criminal Intelligence Directorate of the RCMP for the collection and analysis of intelligence on organized crime and for the production of this report.

This report also aims to inform and, ultimately, to solicit help from the public. Law enforcement needs the public to take a stand against all organized criminality, beginning with what goes on in their neighbourhood.

One of the keys to success in the fight against organized crime is partnerships - between enforcement agencies as well as with policy makers and the public. This report is offered as a guide to help our partners with their strategic planning and to encourage them to cooperate to the fullest extent to fight this threat .