

CRIMINAL INTELLIGENCE SERVICE CANADA
1999 ANNUAL REPORT



Criminal Intelligence Service Canada
Annual Report on Organized Crime in Canada

1999

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Table of Contents

- Executive summary
- Chairman's message
- Director's message
- National Organized Crime Priorities
- Other Monitored and Emerging Issues
- About this report

EXECUTIVE SUMMARY

This report 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 the RCMP Criminal Intelligence Directorate for the collection and analysis of intelligence on organized crime and for the production of this report.

CISC monitors and reports on national organized crime priorities including Asian and East European-based organized crime groups, Traditional (Italian-based) organized crime and Outlaw Motorcycle Gangs. CISC also has intelligence projects in place to monitor the sexual exploitation of children and a contraband desk to cover other priorities and issues such as Aboriginal-based organized crime, the illegal movement of firearms and organized crime in marine ports. Emerging issues of interest to our partners, for example, illegal gaming and technological crime are also included in this report. The table of contents reflects the concerns and interests of CISC and its partners.

Asian-based organized crime groups continue to pose a significant threat to public safety in Canada. They are the primary suppliers of heroin and are increasingly involved in cocaine trafficking. Over the past year, arrests in Vancouver dealt a major blow to an international Asian-based criminal network that operated in Canada, the United States, Hong Kong, Macau, and Thailand.

Eastern European-based organized crime groups in Canada are well connected to criminal counterparts in Russia, Europe and the United States and function as integral parts of large-scale international organized crime networks. EEOC is increasing its involvement in drug trafficking in some regions.

Despite successful police operations against the Sicilian mafia, Traditional (Italian-based) organized crime continues to be a threat in Canada. TOC continues to infiltrate the legal economy. Money laundering remains a key activity of this group.

The HELLS ANGELS are one of the most powerful and well-structured criminal organizations in Canada. In 1998, they formed two new chapters: one in British Columbia and one in Saskatchewan, for a national total of 16 chapters. The establishment of a chapter in Ontario remains an objective for the HELLS ANGELS.

The distribution of child pornography continues to increase, facilitated by the Internet. The British Columbia Court of Appeal ruling that Canada's child pornography law contravenes sections of the Charter of Rights and Freedoms has sent ripples not only through the justice system, but through Canadian society as a whole.

All the major organized crime groups are involved in the smuggling of illegal drugs into and out of Canada. Contraband includes the trafficking of other commodities, as well, such as tobacco, alcohol, jewellery and stolen vehicles, both within Canada and across the United States/Canada border. First Nations territories appear to be a significant conduit for illegal firearms en route to Canada. Smugglers continue to use marine ports as a major smuggling venue.

The traffic in illegal migrants is a result of international political upheaval and economic hardship. Smuggling illegal migrants into Canada is a growing and profitable business.

Canada's first diamond mine officially began production in October 1998. International police and industry sources report that organized crime is often involved in smuggling and theft from mining operations.

There is no doubt that both organized crime and the criminal enterprises that support illegal gambling benefit from illegal gaming. Criminal Intelligence Service Canada has initiated a national illegal gaming initiative in partnership with the Ontario Illegal Gaming Enforcement Unit (OIGEU). With the implementation of this initiative and a corresponding increase in illegal gaming intelligence, the extent of the problem will become clearer.

While technology does not fundamentally change the nature of crime, it allows criminals to operate in ways that are more secure, more efficient and more clandestine than ever before. Jurisdiction creates problems for computer crime investigations. Developing workable codes of conduct, laws and communication networks is complex and time consuming and represents a major challenge for law enforcement.

The Y2K issue includes a number of concerns for law enforcement. Project SOLSTICE, a multi-agency effort that includes the RCMP, Criminal Intelligence Service Canada, the Department of National Defence, the Canadian Security Intelligence Service, Canadian law enforcement and DOMUS Security Division LGS Group Inc., has been initiated to complement the Year 2000 undertakings of Canadian federal government departments and enforcement agencies. It is intended to promote awareness and to deter any criminal threat.

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



As Canadians, we pride ourselves upon living in a country that is stable, well-policed and, with a few exceptions, relatively free of serious crime and violence. Many of us believe that organized crime is something that happens somewhere else. But it doesn't. It happens here, in our communities. And it is a phenomenon that has profound social, economic and personal impact upon each one of our lives.

Organized crime is, to a large extent, invisible. This has always been its great strength. Unlike ordinary crime, it does not immediately manifest itself in broken windows, a rash of break and enters or a sudden rise in the murder rate. But we cannot be complacent, we cannot afford to ignore organized crime simply because its effects are not immediately apparent to us.

The purpose of this document is to make organized crime visible, to deprive it of the shield behind which it goes about its daily business. In it, we shall see how drug-related violence touches the lives of innocent bystanders; how our immigration and refugee system is at risk of compromise by the activities of migrant smugglers; how the trade in contraband alcohol and tobacco threatens our revenue structure; how even small scale and petty criminals are linked to

sophisticated international organizations; how supposedly "victimless" forms of economic and technological crime threaten the very economic fabric of this country. All of this, and more, is the true face of organized crime.

There is no doubt that organized crime is a central fact of Canadian life, one with the potential to touch each one of us, sometimes with disastrous consequences. What we require, as a nation, as a civil society, is action. CISC and all of its law enforcement and policing partners are absolutely committed to the struggle against organized crime and to working domestically and internationally to root it out wherever it appears.

The document that you are about to read is a collaborative effort, one that ultimately involves more than 370 agencies. As such, it is living testimony to CISC's determination to promote initiatives against organized crime as a form of shared enterprise, not only among police and law enforcement agencies, but among all Canadians. Thus, quite apart from its disturbing, at times even grim, chronicle of the activities of organized crime, this determination may be the most important feature of this year's *CISC Annual Report on Organized Crime in Canada*.

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



Partnerships are the number one strength of Criminal Intelligence Service Canada. CISC promotes intelligence-led policing and acknowledges the value in information and suggested solutions from a variety of sources, both within and beyond the world of law enforcement. CISC partners and intends to partner with law enforcement, social organizations and institutions, academic researchers and the public in programs of education, information sharing and prevention as a strategic investment with benefits to be derived by future generations.

Organized crime is a multi-billion dollar industry affecting all Canadians, undermining the domestic economy and threatening the integrity of our political institutions. To a large extent, it is the globalization of organized crime coupled with increasingly sophisticated technology that has brought this issue to the forefront in the 1990's. Transnational criminal activities such as the smuggling of illegal migrants, international telemarketing fraud and offshore gambling enabled by the Internet are undertaken with a new ease and mobility that will continue to challenge police and law enforcement into the new millennium.

CISC offers this report with the firm hope that, together with our partners and the Canadian community, we can present an informed and united front to fight organized crime.

Once again, we salute our Provincial Bureaux, which have contributed regional overviews to this report, and we thank each and every one of our partner agencies for their support.

TABLE OF CONTENTS

NATIONAL ORGANIZED CRIME PRIORITIES

- ASIAN-BASED ORGANIZED CRIME
- EAST EUROPEAN-BASED ORGANIZED CRIME
- TRADITIONAL ORGANIZED CRIME
- OUTLAW MOTORCYCLE GANGS
- SEXUAL EXPLOITATION OF CHILDREN

OTHER MONITORED AND EMERGING ISSUES

- CONTRABAND
SMUGGLING
(includes information from Aboriginal-based Organized Crime, the Illegal
Movement of Firearms and Organized Crime in Maritime Ports Projects)
- ILLEGAL GAMING
- TECHNOLOGICAL CRIME
- Y2K AND THE CRIMINAL THREAT

ASIAN-BASED ORGANIZED CRIME

Highlights

Asian-based organized crime groups continue to be the primary suppliers of heroin to Canada and are increasingly involved in cocaine trafficking.

Asian-based criminal organizations are heavily involved in migrant smuggling and in violent crime such as shootings, home invasions, kidnapping and extortion.

Asian-based criminal groups in Canada have forged links with other organized crime groups, both nationally and internationally.

Arrests in Vancouver in June 1999 dealt a major blow to an international Asian-based criminal network that operated in Canada, the United States, Hong Kong, Macau and Thailand.

National Overview

Asian-based criminal groups, particularly the DAI HUEN JAI and Vietnamese-based gangs, continue to pose a significant threat to public safety across Canada. Vietnamese groups are known for their extreme violence and use of automatic weapons. Asian-based street gang violence is on the rise in several cities. Most of these gangs have direct connections to more sophisticated Asian organized crime groups.

Asian-based organized crime (AOC) continues to have almost exclusive control over the importation and distribution of heroin. They cooperate with Traditional organized crime groups, Colombian crime groups and Outlaw Motorcycle Gangs in some drug ventures.

Another criminal enterprise dominated by AOC is the production and use of forged credit cards. By employing the latest "skimming" technology, Asian groups are expanding upon their already extensive credit card fraud schemes. Skimming is the illegal capture of electronic data from legitimate cards. Data swiped through a surreptitious card reader is later placed on a forged credit card.

Illegal migrant smuggling from China remains a major concern for law enforcement. Although most migrants transit Canada en route to the United States, an increasing number are remaining in Canada.

Loan-sharking and illegal gaming at legal casinos is an expanding area for AOC in several provinces. The resulting violence and social disruption, combined with the increased capital available for investing in drug importations, makes this another significant concern for law enforcement.

AOC groups continue their involvement in prostitution, car theft, staged vehicle accidents, welfare and employment insurance fraud, commodity smuggling, contract killings and assaults, extortion and corruption. Canada's social welfare and health systems are affected by this criminality.

Regional Overview

AOC groups operating in British Columbia include the DAI HUEN JAI (also known as Big Circle Boys or BCB), Lotus and numerous other Vietnamese and Chinese gangs. The DAI HUEN JAI are primarily Chinese from the south of China, while the Lotus are mainly Canadian born Chinese. Asian felons travel to and from Southeast Asia, Australia, the United States and Eastern Canada. In the province of British Columbia, Asian criminal activities include drug trafficking/importation, auto theft, theft, break and enter (home invasion), credit card fraud, fraud, gaming, extortion, assault, prostitution, shoplifting rings, property crime, armed robbery, kidnapping and homicide.

At the street level AOC groups in British Columbia control most of the heroin and cocaine trade in that province with the assistance of Indo-Canadian gangs and outlaw motorcycle gangs (OMGs).

AOC drug importers and traffickers are entrenched in Vancouver and maintain close links with associates in other parts of Canada. Drug trafficking is Vancouver's predominant criminal activity and both the US Federal Bureau of Investigation (FBI) and Drug Enforcement Administration (DEA) have stated that many of their major Southeast Asian heroin investigations have a Canadian link. There have been incidents where heroin has been stockpiled in British Columbia for shipment to eastern Canada or the United States.

Vietnamese criminals are attempting to set up their contacts, to do their own importations of heroin directly from the Golden Triangle through either China or Vietnam. This would entail smaller scale importations, with couriers body packing less than 5 kg. The heroin is brought into British Columbia for subsequent distribution throughout North America. Vietnamese criminals are increasing their involvement in cocaine distribution, marihuana grow operations and, most recently, in the manufacture of methamphetamine.

During the past year, there have been several significant heroin seizures in Australia in which Canadian nationals have either been arrested or directly linked to the operations. Many of the Canadians identified are former Hong Kong or Chinese nationals. These syndicates have direct links to major targets residing in China, Hong Kong and Thailand and are of particular interest to the law enforcement agencies of those countries.

In November 1998, 70 kilograms of heroin with purities of up to 90 per cent were seized in British Columbia as part of an RCMP Greater Vancouver Drug Section investigation. This was the second largest seizure of heroin in British Columbia history, worth an estimated \$14 million. The investigation focussed on major heroin importation operations involving the upper echelon of an Asian organized

crime group. International in scope, it involved a number of countries including China, Hong Kong, Australia, Canada and the United States and included the Toronto Police Service, and Australian and United States police agencies. The group under investigation believed that it could control the market price of heroin by dictating supply. Associates of this organization were also producing counterfeit documents and credit cards and smuggling illegal migrants into Canada. Recent investigations indicate that importations of the magnitude seized in the November 1998 investigation are continually underway.

Another drug project involved Triad organizations from Los Angeles and San Francisco. Two members of this crime group conducted felonious activities between Vancouver, California and the Boston area. These activities included the theft of vehicles for shipment to China, the murder of a Coquitlam resident and the export of heroin to the United States in exchange for cocaine to be sold on the streets of Vancouver.

Information indicates that within the Kamloops region, AOC controls most of the heroin and cocaine trade. This is also apparent on the northern part of Vancouver Island, where 80 to 85 per cent of the heroin/cocaine trade is controlled by the Vietnamese.

Besides the heroin and cocaine trade, the northern Vancouver Island Vietnamese criminals have expanded into marihuana grow operations and the methamphetamine industry. Vietnamese criminals in Vancouver now are responsible for approximately 80 per cent of the hydroponic marijuana grow operations that are investigated by the police.

There is a trend to market cocaine and heroin to potential new users, including middle class youth. Asian criminal groups around the Lower Mainland area are now operating "dial a dope franchise and delivery services", which also enables them to expand their user market.

In addition to narcotics importing and trafficking, Asian-based organized crime is involved in other criminal activity in British Columbia.

In late December 1998, a violent kidnapping for ransom occurred in Richmond. Police rescued an 18 year old girl who had been beaten, drugged and sexually assaulted. In a media interview, a member of the New York City Police Department, who has dealt with numerous Asian kidnappings, warned that immigrants from Hong Kong could become a primary focus for kidnapping by Asian criminal gangs because many are believed to have moved their financial empires to British Columbia.

Violence continues to be used by AOC to settle internal disputes. In June 1998, the leader of one of the most active Vietnamese gangs operating in southern British Columbia was murdered. Jimmy NGUYEN Sang Van was shot 10 to 20 times with an automatic weapon.

Vietnamese criminals continue to exploit lax sentencing for property crimes. Large scale shoplifting networks run by AOC continue to act as suppliers to property houses where the stolen goods are sold at a large discount to a select market. These operations earn millions of dollars and often involve repeat offenders. The criminal profits of these organizations are investigated by Proceeds of Crime units.

Organized Vietnamese groups who stage motor vehicle accidents remain a significant concern to the Insurance Corporation of British Columbia (ICBC), which has expanded its cooperation with law enforcement. ICBC is now beginning to use the courts in an attempt to deter these groups by taking the profit out of their criminal enterprises.

During 1998, a DAI HUEN JAI cell was responsible for moving over \$1 million dollars in counterfeit currency into Vancouver from Toronto. This amount consisted of Canadian \$100 and \$50 notes and US \$50 notes. The cell

distributed the notes to other criminal groups throughout the province, including Indo-Canadian drug trafficking organizations.

The most recent arrests in British Columbia represent the biggest blow to Asian-based crime in Canada in over a decade. Two projects took over two years to complete and concluded with the arrest of 32 suspects who were involved in heroin importation, credit card counterfeiting, illegal gambling, loansharking, obstructing justice, extortion, car thefts, smuggling, and a drive by shooting. The accused lived in Victoria, Vancouver, Hong Kong, San Juan and Las Vegas. The investigations had links in Canada, the United States, Puerto Rico, Hong Kong and Thailand. These top echelon criminals recruited and employed a street gang with over 200 members in the lower mainland.

AOC in Alberta continues to be strongly influenced by the mobility of Vancouver and Toronto based Asian criminals who are involved in commodity smuggling, the distribution of counterfeit currency and the use of forged credit cards. Local groups maintain their involvement in gaming related and property crimes. Although cocaine remains the predominant illicit drug and primary source of income for Asian criminals, the presence of heroin is steadily increasing.

The Alberta heroin trade is controlled by AOC and supplied from Southeast Asia, through sources in Vancouver. Chinese and Vietnamese drug syndicates from Calgary and Edmonton have established a permanent presence in the Northwest Territories. In 1998, the RCMP was successful in investigating and prosecuting several major figures in Yellowknife.

During the summer of 1998, there was a rash of forged credit card frauds in Edmonton. Calgary is experiencing a series of counterfeit currency offences involving Asian criminals. The arrests in Regina and Revelstoke of Asian criminals distributing counterfeit Canadian \$100 notes produced by the DAI HUEN JAI in Toronto, and dispersed by a second DAI HUEN JAI cell in

Vancouver, are further evidence of the mobility and capacity of Asian criminal groups to network and acquire contraband goods country wide.

The attempted murder of an individual in Calgary is further evidence of the strong link between Calgary and Vancouver. This individual had been accused by gang members of interfering in a scheme to procure local girls for a prostitution group in the lower mainland of British Columbia. His attempt to counsel the girls to avoid a life of prostitution was perceived a threat to the gang's business. Several gang members were summoned from Surrey to attack the victim in retaliation. This group was convicted of stabbing and shooting the victim after forcing their way into his Calgary home.

Asian criminals have used legal casinos in Calgary for cheating at play, loansharking, and drug trafficking.

The major centres of activity for Asian-based organized crime in Saskatchewan are still the larger municipalities. In the past, this province has been the source of Asian crime enterprises, such as credit card fraud, counterfeiting and illegal immigration, that are completed in another region. It is apparent over the past year that these criminal activities persist, and they are being carried out with a higher degree of sophistication.

In reaction to the new HELLS ANGELS chapter in Saskatoon, Asian drug traffickers have stepped up their activities in an effort to maintain their clientele in a newly competitive market. Asian groups have also made a concerted move into Lloydminster, an area that has historically been supplied by outlaw motorcycle gangs. There are indications that some Asian groups are attempting to increase their share of the Regina drug market specifically because the HELLS ANGELS have no strong presence there.

Some criminals involved in Asian business communities continue to participate in the smuggling of cigarettes, liquor and other contraband. Illegal gambling in back

rooms of restaurants, businesses and homes continues. Prostitution operations are also conducted in these venues as well as through telephone contacts.

Asian-based organized crime in Ontario consists of four elements: Triads, gangs, DAI HUEN JAI (BCB) and criminal syndicates. These criminal organizations engage in numerous enterprises, regularly sharing expertise and personnel.

As in other provinces, the importation of heroin into Ontario is among the most profitable and prolific crimes committed by AOC. Heroin with a purity as high as 99 per cent from Thailand and China is primarily controlled through the DAI HUEN JAI in the Greater Toronto Area. Although the DAI HUEN JAI are the major importers of heroin into Canada, Vietnamese gangs are mainly responsible for street level distribution.

In Toronto, Asian-based criminal groups do not hesitate to resort to violence, particularly in car-jackings. A number of these vehicles are smuggled to Asia. The high demand for luxury vehicles abroad is related to the lack of automobile dealerships and the high tariffs on imported vehicles. As long as these conditions exist, Asian-based crime groups in Canada will continue to steal targeted vehicles for shipment overseas.

Ontario AOC groups and their associates have access to high powered firearms and have been involved in extreme forms of violence. They have committed a number of murders, usually related to territorial disputes. It is not unusual for gang members in Ontario to import criminals from other North American Asian communities to commit violent crimes in Ontario. Also, Ontario gang members who commit violent crimes there often flee to other Asian communities outside the province.

Violent street gangs are active in the Greater Toronto Area, Hamilton and Ottawa. These gangs are Asian based but also include members belonging to other ethnic groups.

In 1998, two Asian-based migrant smuggling networks were dismantled and 47 smugglers were arrested by Canadian and US authorities. Over a period of at least two years, these groups allegedly smuggled as many as 3,600 illegal Chinese immigrants from Fujian into New York State through Vancouver and Toronto. The smugglers are believed to have moved 100 to 150 migrants per month into the United States at a cost of approximately US \$47,000 per person, for a total profit of an estimated US\$170 million over two years.

A 1998 investigation into the smuggling of migrants from China to Toronto involved the RCMP, the Toronto Combined Forces Asian Investigative Unit, Citizenship and Immigration Canada and the US Immigration and Naturalization Service. There are a number of organized smuggling groups moving people from China to Toronto and on to New York using fraudulent documents. In December 1998, 11 people were arrested and charged in Canada and 30 were arrested and charged in the United States.

Persons entering Canada illegally are often en route to the United States, travelling on forged documents provided to them by the criminal organizations. Many illegal migrants travel under inhumane and at times life-threatening conditions. They are often forced to work off their debts by engaging in criminal activity. In the past few years, several thousand Fukienese have remained in Canada after entering the country illegally.

According to a spokesperson for Visa, AOC groups are believed to be responsible for manufacturing and distributing 75 to 80 per cent of all forged Canadian payment cards in use worldwide. Much of this activity is centred in Toronto, followed by Vancouver and Montreal. Asian-based criminals are also involved in credit card forgery, abetted by their international networks that permit them to share expertise and exchange personnel.

The DAI HUEN JAI are major contributors to global counterfeit credit card activity. They are continually developing new technology to defeat the security

mechanisms put in place by credit card companies. Police in Ontario dismantled a major DAI HUEN JAI counterfeit credit card syndicate in December 1998.

Several Toronto and Vancouver-based DAI HUEN JAI members have been linked to the manufacture and distribution of counterfeit Canadian \$100 bank notes. Several Asian and East European co-conspirators planned to use the proceeds from illicit credit card transactions to support and finance the manufacture the counterfeit notes.

Asian-based organized crime in Quebec is found almost exclusively in the Greater Montreal area. Approximately 30 groups participate in narcotic importing and exporting, credit card fraud schemes, counterfeit currency distribution, extortions, prostitution, home invasions, assaults, migrant smuggling and alcohol and cigarette smuggling.

Approximately 20 of these groups operate at the national or international level. AOC in Montreal is dominated by Vietnamese individuals or ethnic Chinese born in Vietnam. Montreal has two street gangs that have had violent disputes in the past. The Red Blood gang is made up mainly of Cambodian and Laotian youth, while the Black Dragons are primarily Vietnamese youth. The Black Dragons are supported by a more sophisticated AOC group with international connections.

Extortion predicated on the financial needs of a powerful Vietnamese gang leader based in Boston has come to an end in Montreal. TRUONG Chi Trung terrorized Montreal and Toronto in the early 1990's. After he was arrested in Canada and incarcerated in Boston, his gang was involved in a series of extortion schemes to raise money for his legal fees. In early 1998 TRUONG was sentenced to minimum of 22 years.

One of the hallmarks of AOC in Canada is its mobility. Groups from Toronto and Montreal have used New Brunswick to distribute counterfeit currency and to obtain credit data later used on forged credit cards. A group of Vietnamese gang

members from Montreal was apprehended in St. John as they were distributing counterfeit Canadian \$100 notes produced by a DAI HUEN JAI group in Toronto.

At one time, AOC groups attempted to establish high stakes illegal gaming operations in St. John's, Newfoundland. The severe sentences handed down to those criminals who were convicted early in the scheme seem to have deterred others from continuing the enterprise.

Outlook

- Asian-based organized crime will continue to dominate the heroin trade and the smuggling of migrants from Asia. It will expand its involvement with other types of contraband.
- Asian criminal organizations will continue to establish alliances with other organized crime groups to facilitate their illegal activities. In some areas, however, violence is expected as they encroach on established territories and drug markets.
- Since Asian-based criminal organizations continue to function as tightly-knit groups, they will remain a challenge to police and law enforcement operations.

EAST EUROPEAN-BASED ORGANIZED CRIME

Highlights

- East European-based organized crime is expanding throughout Canada, although most activity occurs in the Toronto, Montreal and Vancouver areas.
- East European-based organized crime groups in Canada are well connected to criminal counterparts in Russia, Europe and the United States and function as integral parts of large-scale international organized crime networks.
- East European-based organized crime groups across Canada are well connected to each other as well as to other criminal organizations.
- East European-based organized crime in Canada is increasing its involvement in drug trafficking.

National Overview

East European-based organized crime (EEOC) continues to expand in Canada in terms of both the range and level of its activity. From its first appearance in the Toronto area in the early to mid-1990s, EEOC has extended its influence to most parts of the country. EEOC groups have been noted primarily in Ontario, British Columbia and Quebec. Some activity has extended into the Prairies and recent information indicates activity in the Maritimes.

EEOC engages in a range of activities in Canada. This includes extortion, murder, prostitution, drug smuggling (cocaine, heroin and steroids), tobacco and weapons smuggling, organized immigration fraud and various types of financial crime.

Many of the members of the Eastern European-based organized crime element that have immigrated to Canada have attempted to distance themselves from the illegal aspects of their operations by involving themselves in legitimate business ventures. These are usually funded by criminal proceeds, however.

EEOC groups in Canada have been involved in the manufacture and use of counterfeit currency and false identification documents and have organized shoplifting and large scale theft of consumer goods which are shipped to Russia and elsewhere. Related to this is the organized theft of automobiles for illegal export to Russia and Eastern Europe. Russia is a major destination for large-scale shipments of stolen Canadian cars, which can be sold there for twice their Canadian market value.

At least three major international East European-based criminal organizations have been linked to Canada. While some EEOC groups in Canada are characterized by formal reporting/ organizational structures, others appear to be strictly venture-oriented, forming and disbanding to commit specific crimes. EEOC groups with extensive international connections, primarily in the former Soviet Union, also have access to extensive financial resources.

Regional Overview

In British Columbia, known and suspected criminals and organized crime groups from the former Soviet Union have been involved in drug trafficking and importation, as well as the smuggling of consumer commodities. As well, links to EEOC counterparts in eastern Canada and on the West Coast of the United States have been established.

An investigation, in British Columbia, of Eastern European criminals involved in the distribution of counterfeit currency and the counterfeiting of bank credit cards and official documents resulted in three counterfeit charges being laid against an individual attempting to gain status in Canada. Members of this Eastern European criminal community are known to associate with Asian organized crime members and Indo-Canadian criminals.

Extortion within the Eastern European community continues with threats focussed on members of victims' families still in Eastern Europe.

The establishment of shell companies and money laundering in order to move capital out of Eastern Europe increased notably in 1998. Canadian and American businesses beginning to work with Russian companies often discovered that these potential partners did not have the reported capital or else they were involved in fronting money laundering schemes. Most affected were import and export enterprises and the West Coast fishing industry.

In Ontario, EEOC groups in the Toronto area have been active in a wide range of criminal activities, from extortion and prostitution to money laundering, vehicle theft and international fraud. In July 1997, Vyacheslav SLIVA, a Toronto area EEOC figure, was arrested and deported to Russia. SLIVA has been linked to Vyacheslav IVANKOV, aka Yaponchik, the Russian organized crime figure currently incarcerated in the United States. IVANKOV moved to New York City in the early 1990s to coordinate Russian organized crime in the United States.

In Montreal, two organizations which are branches of Russian organized crime groups established in Toronto, specialize in particular types of crime such as smuggling consumer goods to foreign countries, the importation and trafficking of drugs (especially cocaine and anabolic steroids), counterfeiting, the theft of luxury vehicles for export, money laundering and fraud. Generally, members are at least thirty years old and display a rare self-assurance when dealing with police. Although they are not intimidated by the Canadian justice system, they are wary of Citizenship and Immigration Canada's power to deport them.

Another EEOC specialty is prostitution, run out of massage parlours worked by women recruited from Russia. In December 1997 the Montreal Urban Community Police closed three Russian massage parlours and arrested fifteen Russian nationals.

Young Eastern Europeans, living in Montreal, undertake cellular cloning and less sophisticated criminal activities such as extortion and shoplifting. These are the types of crimes that cause insurance premiums and product prices to rise, with a

direct impact on legitimate consumers. In terms of structure, this informal group falls somewhere between ordinary street gangs and specialized organizations and represents the new generation of Eastern European criminal in Quebec.

Russian investors, some of whom are associated with criminal activity, continue to arrive in Montreal in significant numbers. Many have their way into the country eased by letters of invitation or sponsorship from Canadian companies. Most of the time these companies belong to fellow Russians who already have Canadian citizenship or are considered landed immigrants, and they often serve as fronts for various criminal activities including drug smuggling and money laundering.

EEOC is also exerting influence in the Maritimes with street crime, immigration fraud and attempts to infiltrate financial institutions. In Atlantic Canada, several landed immigrants with Russian backgrounds who reside in the area have been travelling back to Russia for extended periods of time and returning with significant amounts of money. Some of the shipping lines that visit ports in Prince Edward Island are believed to have links to Eastern European organized crime.

Newfoundland remains a gateway for international travel. Eastern Europeans arrive in the region aboard international flights that stop for refuelling and aboard Russian fishing trawlers that call at the ports of St. John's, Argentia and Harbour Grace. While larger cities such as Montreal, Toronto and New York may be more desirable as final destinations, Newfoundland may be viewed as a more attractive entry point due to its small population base and immigration controls that are perceived to be less rigorous.

Outlook

- EEOC will increase its involvement in the smuggling of stolen consumer goods, particularly luxury automobiles, into the former Soviet Union and Eastern Europe.
- EEOC groups will expand their networks to include other ethnic-based and domestic criminal organizations, including Asian-based and Traditional organized crime groups and outlaw motorcycle gangs.
- EEOC groups will continue to infiltrate the Canadian drug trade. This will bring them into closer contact with other organized crime groups such as Traditional, Asian-based and Aboriginal-based Organized Crime, as well as Outlaw Motorcycle Gangs. It is unlikely that they will attempt to monopolize the industry, so alliances will have to be forged.
- EEOC groups will likely continue their efforts in migrant smuggling and illegal document manufacturing.

TRADITIONAL ORGANIZED CRIME

Highlights

- Despite successful police operations against the Sicilian mafia, Traditional (Italian-based) organized crime (TOC) continues to be a threat in Canada.

National Overview

In Canada, Italian-based criminals belong to or are associated with one of three main organizations: the Sicilian mafia, the Ndrangheta, or the Cosa Nostra. The Sicilian mafia is the most influential of the three. It has ties to other Sicilian clans within Canada and in countries such as Venezuela, the United States, Italy, South Africa and Australia. According to Italian authorities, several of their most

wanted Mafia members have found refuge in Canada, the United States and South America. A restructuring of the "Canadian Mafia" is taking place and, as a result, some settlements of accounts may occur in the near future.

Project OMERTA, a two year investigation involving law enforcement agencies in Italy, Mexico and the United States, targeted key members of the CARUANA-CUNTRERA organization residing in Toronto and Montreal. In July 1998, the Combined Forces Special Enforcement Unit (CFSEU) in Toronto orchestrated raids that led to arrests of several people, including senior members of the organization in Toronto. They have been charged with conspiracy to import large quantities of cocaine with an ultimate destination of Canada and/or Italy.

The drug trade remains TOC's activity of choice. TOC is extremely active in the sale of cocaine and hashish, and are now showing an increasing interest in the heroin market. These organizations are also involved, to varying degrees, in a number of other criminal activities, including gambling, money laundering, counterfeiting and alcohol smuggling.

Regional Overview

In British Columbia, TOC figures continue to operate legitimate businesses in the fields of construction and development, food supplies and services and restaurants/coffee bars. A number of coffee bars/restaurants are involved in illegal video gaming machines and backroom gambling, particularly sports betting and horse racing. It is through these venues, as well as money laundering and drug trafficking, that TOC individuals continue their affiliation with other organized crime groups such as the HELLS ANGELS, Eastern European and Asian-based organized criminals and other known crime groups.

Individuals and companies associated with one particular TOC group are increasingly involved in money laundering, infiltration of legitimate businesses, and large scale fraud involving prime banking instruments in Alberta.

In Manitoba, a link between TOC and other criminals operating in Winnipeg was discovered through a drug investigation. A local drug trafficker was bringing large quantities of cocaine into Winnipeg directly from a major TOC group in Montreal.

In Ontario, and specifically in the Greater Toronto Area (GTA), a faction of the Ndrangheta continues to be a powerful factor. This group owns a number of sports bars and cafes that are used for gambling, loansharking and drug dealing. Illegal video gambling machines are common in these establishments. It is not unusual for Asian and Eastern European-based criminals to gamble in these TOC-operated establishments in the GTA and in Windsor. Some investigators believe that members and associates of this crime family associate with members of Aboriginal-based organized crime groups to facilitate the smuggling of drugs, alcohol and weapons through First Nations territories.

Third generation members of TOC in Windsor and in northern Ontario cities are opening restaurants as fronts for laundering money. In so doing, they maintain ties with other TOC families across the country.

In Hamilton and Niagara Falls, two high-ranking Italian-based organized crime members were killed in May and July 1997 respectively. Police had long regarded these individuals as official Ontario representatives of the Buffalo-based Cosa Nostra organization. In August 1997, Project EXPIATE, a Joint Task Force made up of investigators from Hamilton and Niagara Falls, was formed to investigate the murders. In November 1998, two individuals were arrested and charged with first degree murder. According to the media, this is the first time in over thirty years that organized crime members have been arrested for an alleged contract killing.

After the homicides, a close associate of the two men has emerged to take control of business in the Niagara peninsula. This associate is closely connected with an organized crime family in Buffalo, New York as well as with the PARADISE RIDERS and the HELLS ANGELS.

In Quebec, the main Sicilian organization deals with Asian and East European-based organized crime as well as outlaw motorcycle gangs and Colombian and other South American groups. This criminal group has operated for decades, emphasizing the key role played by Montreal as a major North American entry point for illicit drugs.

Information suggests that members of one particular crime organization in New York state are involved in computer programming companies hired by legitimate businesses to modify computer programs to avoid Y2K problems. These computer programmers are believed to be sabotaging business computers in order to take advantage of the situation in future. There is concern that this crime problem identified in the United States will also be a problem for Canadian companies.

Although TOC does not have a continuing presence in the eastern provinces, it exploits the opportunities presented by their long coastlines and numerous port facilities.

Outlook

- Traditional organized crime will continue to expand in the Western provinces.
- Money laundering will continue to be one of the key activities of TOC.
- Traditional (Italian-based) criminal organizations remain a real threat in Canada. They have enormous power, given their cooperation with other criminal organizations, and pose a major challenge for authorities.

OUTLAW MOTORCYCLE GANGS

Highlights

- The HELLS ANGELS are one of the most powerful and well-structured criminal organizations in Canada. In 1998, they formed two new chapters: one in British Columbia and one in Saskatchewan, for a national total of 16 chapters.
- The armed conflict between the HELLS ANGELS and the ROCK MACHINE is still raging in Quebec. In 1998, there were 27 related homicides and 27 murder attempts.

National Overview

Of the 30 known outlaw motorcycle gangs (OMGs) in Canada, the HELLS ANGELS are by far the most powerful and well-organized. By adding new chapters throughout the country, the HELLS ANGELS continue to dominate local OMGs. Invariably, HELLS ANGELS expansion initiatives translate into local increases in criminal activity such as drug trafficking and the use of violence and intimidation. The HELLS ANGELS is comprised of 214 full-fledged members and 35 prospects, for a total of 249. Notably, 205 members have criminal records, of which 105 are for drug-related offences. The HELLS ANGELS organization remains a national priority for law enforcement in Canada.

Regional Overview

The HELLS ANGELS in British Columbia celebrated their 15th anniversary in July 1998 with the addition of a new chapter, the NOMADS in Burnaby. This sixth chapter expands the HELLS ANGELS network into central and northern British Columbia. They continue to be active in the importation and distribution of cocaine. Their involvement in the hydroponic marijuana trade is increasing and they rely on a network of associates to set up grow houses, to harvest the marijuana and to transport it out of the province.

In the previously existing five HELLS ANGELS chapters, members were promoted and new prospects and hangarounds were added. The puppet gangs experienced the greatest changes. The REGULATORS, TRIBESMEN and WILD CATS disbanded while the TALISMEN expanded their ranks to form two chapters. The originating chapter remains in Smithers, B.C. and the newest chapter is located in Williams Lake, replacing the WILD CATS. It is believed that several of the WILD CATS members have patched over to the TALISMEN. In 1997 an emerging gang, the HUB CITY MEN'S CLUB sponsored by the HELLS ANGELS Nanaimo Chapter, surfaced in Kamloops. In spring 1998, this same gang received its patch, calling themselves the VIPERS. A second emerging gang, the PRINCE GEORGE MEN'S CLUB, acquired its patch in January 1999 and became the RENEGADES.

In two separate drug cases, police were successful in arresting and charging four HELLS ANGELS colour-wearing members along with numerous associates. Following a two-year cocaine trafficking investigation, police arrested three HELLS ANGELS East End Chapter members and several associates. Another investigation resulted in 50 marihuana grow houses located throughout the greater Vancouver area being dismantled, and over ten million dollars in product, cash and firearms seized. Seventy-six outlaw motorcycle gang members and associates were charged with conspiracy, cocaine and marihuana related offences.

Police were equally successful in coordinating and executing enforcement initiatives during two HELLS ANGELS 15th Anniversary celebrations in Vancouver in July and December 1998. The initiatives were multi-jurisdictional, involving local municipal police forces and members of the RCMP. Investigators specializing in OMGs from Quebec, Ontario, Manitoba, Alberta and British Columbia contributed to the intelligence behind the initiatives. The success of the initiatives can be attributed to the operational planning, as well as to a visible multi-force uniform presence. In addition to the regular coverage provided by

Canada Customs and Immigration at ports of entry, a mobile unit comprising police and immigration officers was made available to any location to deal with immigration offences. Three HELLS ANGELS members from the United States were arrested under the Immigration Act and are expected to appear in 1999 at immigration hearings.

A two-year investigation into the cocaine and hashish trade in the Northwest Territories revealed that the Quebec HELLS ANGELS exert control in the eastern Arctic.

Vancouver's East End HELLS ANGELS formed a new NOMADS chapter in July 1998. This is the second NOMADS chapter in Canada (one was formed in Quebec in March 1995) and the tenth in the world. The NOMADS exist to facilitate the growth of the HELLS ANGELS organization.

Information indicates that there are ROCK MACHINE associates involved in the drug trade in Northern British Columbia.

The arrival of the HELLS ANGELS in Alberta a year ago brought a noticeable increase in violent crime, as they coerced independent drug dealers into their distribution network. The disbandment of the KINGS CREW of Calgary placed the HELLS ANGELS in full control of biker-related criminal activities in Alberta. This also provoked an increase in unreported crime. Victims of HELLS ANGELS threats and assaults have refused to proceed with complaints and informants have been reluctant to provide information on crimes committed by HELLS ANGELS members and associates.

The Alberta HELLS ANGELS have grown to a membership of 46 since their birth in July 1997 with 26 members. They opened chapters in Alberta with former GRIM REAPER members, but on September 18, 1998 they gave full member status to eight former REBELS. Two KINGS CREW members became HELLS

ANGELS prospects. Forty-three HELLS ANGELS have criminal records. Twenty-five have been convicted of serious criminal offences.

The accused in Project KISS (which concluded in October 1998 with the arrest of six members of the Edmonton REBELS, including the president, one striker, two hangarounds and one associate) are expected to go to trial in 1999. The accused face criminal charges related to drugs, weapons, stolen property, money laundering and participation in a criminal organization.

In 1998, criminal charges against the Alberta HELLS ANGELS included the arrest of the Edmonton chapter president and two prospects, for the May 24th beating and extortion of a male associate. In July, an Edmonton HELLS ANGELS prospect and a Quebec associate were arrested by police in Kelowna and charged with assault causing bodily harm. One of them is also charged with uttering death threats and obstructing a police officer.

The Saskatoon REBELS, established in 1980, officially received their HELLS ANGELS colours in September 1998 after being a prospect club for one year. Since then, the new chapter has kept a low profile. Twelve of its 13 members have criminal records. The APOLLOS are the second-largest outlaw motorcycle gang in Saskatchewan and are subordinate to the HELLS ANGELS in Saskatoon. The Saskatoon HELLS ANGELS' main source of income is from the sale of illicit drugs, particularly cocaine and marihuana.

The LOS BROVOS have been a fixture in Manitoba for thirty years and constitute the most active and dominant biker club in that province. With 20 full-fledged members, 3 prospects, and a large network of associates, the LOS BROVOS are now expecting to become a prospect chapter of the HELLS ANGELS in 1999. The SPARTANS meanwhile, are predominant in Brandon and in rural Manitoba.

The group of HELLS ANGELS associates known as the REDLINERS ceased to exist in May 1998. Some of the group's ex-members are vying for membership in the LOS BROVOS and SPARTANS. One is a prospect of the LOS BROVOS.

In January 1998 both the LOS BROVOS and REDLINER clubhouses were ordered closed by Winnipeg Police for by-law infractions. The REDLINER clubhouse has been taken over by the Manitoba Integrated Proceeds of Crime Unit. The LOS BROVOS are attempting to meet by-law standards and reopen their clubhouse.

The LOS BROVOS have become more low key, perhaps taking direction from the HELLS ANGELS. Several times in 1998, members of the LOS BROVOS travelled outside Manitoba to meet with the HELLS ANGELS in British Columbia and Quebec.

The province of Ontario has the largest contingent of OMGs in Canada, with 9 gangs and over 500 members. The Ontario OMG situation is in a state of flux, however. External influences from the HELLS ANGELS and ROCK MACHINE are likely to disrupt the current balance of power among the major OMGs based in the Greater Toronto Area. The establishment of a chapter in Ontario has been a long standing goal for the HELLS ANGELS.

Thus far, it would appear that the HELLS ANGELS are seeking control in Ottawa and Cornwall, while the ROCK MACHINE is making significant inroads into Kingston and Sarnia. Kingston has been an ideal base for the ROCK MACHINE to set up operations. With several penitentiaries and halfway houses in the area, there is a large criminal element and a lucrative market for drugs. Associates of the HELLS ANGELS, ROCK MACHINE and the OUTLAWS are located in Belleville. To date, the OUTLAWS are the only OMG with an official clubhouse in Eastern Ontario.

While the PARA-DICE RIDERS are the most prosperous, the Toronto SATAN'S CHOICE is one of the most successful OMGs in Ontario. This OMG is involved in fencing stolen goods, auto theft, insurance and credit card fraud, tractor trailer thefts and smuggling. Information suggests they work with Traditional Organized Crime members in extortion and debt collection as well as firearms and narcotics distribution.

The VAGABONDS have a strong leadership and financial position as well as weapons capabilities. For now, they continue to keep a low profile and expand their profitable business ventures.

In London, Ontario, the OUTLAWS have had an exceptionally bad year. They have been weakened by police action, have suffered the murders of two prominent members and face new competition in the reappearance of the ANNIHILATORS who have patched over to the LONERS. The murders of the London OUTLAWS are symbolic of the fact that Ontario OMGs are no longer content with existing territorial divisions and are now competing fiercely for lucrative criminal turf.

The Manitoba-based LOS BROVOS and SPARTANS have members and associates living and operating in Northwestern Ontario. OMG activity in Western Canada continues to have an impact on this region. Three members and some associates of the LOS BROVOS live in the Kenora area and members of the gang maintain strong ties to the Thunder Bay chapter of the SATAN'S CHOICE.

During the first half of 1998, the Ontario Provincial Police formed the Provincial Special Squad, with a mandate to halt the movement and expansion of OMGs. The new squad will place emphasis on proactive enforcement measures, including proceeds of crime investigations, intelligence gathering and dissemination and inter-agency coordination and cooperation at both the provincial and federal levels.

The province of Quebec remains the scene of the most intensive OMG activity, with six HELLS ANGELS chapters - South, Quebec City, Sherbrooke, Trois-Rivières, Montréal and the NOMADS - seven affiliate clubs and a continuing war between the HELLS ANGELS and the ROCK MACHINE. As of the end of 1998, the war between the HELLS ANGELS and the ROCK MACHINE, which began in July 1994, has resulted in 103 homicides, 124 murder attempts, 9 missing persons, 84 bombings and 130 incidents of arson, for a total of 450 violent incidents.

While several leaders of the ROCK MACHINE were killed in 1998, the organization retains its dynamism through continuous recruiting of new members. Since June 1999 members of the ROCK MACHINE have been wearing full OMG colours indicating that they are now part of the BANDIDOS organization (hangarounds).

In November 1998, two investigations led to the arrest of twenty-two individuals including three full-fledged members of the HELLS ANGELS. Seized items included cocaine with a value in excess of \$2 million dollars, other drugs worth more than \$1 million, firearms, counterfeit money, stolen vehicles and stolen goods. Three hydroponic laboratories were also dismantled.

The first investigation began in December 1997 to inquire into the HELLS ANGELS' involvement in drug trafficking. The project was conducted in cooperation with the multi-jurisdictional Wolverine Squad in Quebec (Carcajou). A second investigation also started in December 1997, aimed to seize and/or block assets obtained through the commission of an offense by HELLS ANGELS members and associates.

Not content with the distribution and sale of illicit drugs such as cocaine, marihuana, LSD, PCP and Ecstasy, the HELLS ANGELS and the ROCK MACHINE are heavily involved in the importation of these drugs and, in some cases, their production. The discovery of 178 kilograms of cocaine in a vehicle at

the border town of Lacolle in January 1998 resulted in the arrest of the driver. It led investigators of the Sûreté du Québec and the Wolverine (Carcajou) squad to determine that the president of the South chapter of the HELLS ANGELS was involved in financing the importation. He has since pleaded guilty to this offence.

Prostitution, stolen firearms and fraud constitute other criminal activities of Quebec OMGs. In May 1998 the Montreal Urban Community Police uncovered a veritable arsenal (over 30 weapons of various calibres) in a duplex in Verdun, occupied by four individuals closely associated with the HELLS ANGELS.

Faced with the extent of the problem engendered by OMGs and due, in part, to the fact that the strategy against OMGs in Quebec has resulted in a counter offensive on the part of the bikers, the government of Quebec has decided to escalate efforts against OMGs. It will extend coverage over a greater area of the province through six newly formed police squads. These regional squads face a counter offensive characterized by violence, intimidation, the use of the media to disseminate a controlled biker message and complaints against police officers filed with the Police Commission Board.

The New Brunswick BACCHUS MC celebrated its 26th anniversary this year. It is affiliated with the eastern Canada HELLS ANGELS chapters and several other OMGs in Ontario. They are involved mostly in drug trafficking but also in the fencing of stolen goods and the theft of motorcycle parts.

The CHARLOTTETOWN HARLEY CLUB of Prince Edward Island has strong links to the Quebec HELLS ANGELS and several other OMGs. In April 1998, the club held its annual anniversary party in Charlottetown that was attended by representatives of several prominent OMGs, including the PARA-DICE RIDERS, the RED DEVILS and the SATAN'S CHOICE from Ontario, BACCHUS from New Brunswick and the Sherbrooke and Quebec City chapters of the HELLS ANGELS.

A combination of successful police investigations and internal problems has reduced the Halifax chapter of the HELLS ANGELS to a state of near collapse. The chapter is believed to be experiencing serious financial difficulties following the failure of an off load scheme. It is now under the supervision of the Sherbrooke chapter. Two of the main criminal enterprises controlled by the HELLS ANGELS in this region continue to be drug trafficking and strip clubs.

Cape Breton continues to see an increase of OMGs and related activity. Some drug investigations have revealed links to clubs such as the HELLS ANGELS, ROCK MACHINE and the PARA-DICE RIDERS. Counterfeit currency is a problem in Cape Breton and PEI that may be connected to OMG members from Ontario.

Newfoundland, with its thousands of kilometres of sparsely populated coastline, is ideally situated for massive drug importation operations. For this reason it is highly attractive to OMGs. The FREEDOM RIDERS, formed in the summer of 1995, are the most active OMG in the province, with close links to the Quebec HELLS ANGELS. The HELLS ANGELS control a large percentage of Newfoundland's drug trade. Information indicates the HELLS ANGELS are also actively involved in local businesses such as escort services, pool halls and nightclubs.

Outlook

- The establishment of a chapter in Ontario remains an objective for the HELLS ANGELS.
- The ongoing war between the HELLS ANGELS and the ROCK MACHINE, and the possible arrival of the BANDIDOS, through their association with the ROCK MACHINE, will escalate the level of OMG-related violence in Quebec and Ontario.
- Assault and intimidation are major tools used by OMGs to support their criminal activities and to maintain an advantage over police and the judicial system. This is unlikely to change in the near future.

SEXUAL EXPLOITATION OF CHILDREN

Highlights

- The British Columbia Court of Appeal ruling that sections of Canada's child pornography law contravene the Charter of Rights and Freedoms has sent ripples not only through the justice system, but through society as a whole.
- Given the success of a number of recent international joint projects, it is likely that there will be an increase in the number of international operations undertaken as preemptive strikes.

National Overview

The sexual exploitation of children pertains to any one or a combination of child pornography, child prostitution, sex tourism, abduction for sexual purposes, missing children and the activities of paedophiles and sexual predators. In 1993, legislation made the importation and possession of child pornography a criminal offence in Canada.

Since 1998 a national coordinated law enforcement strategy against the sexual exploitation of children has been in place.

The expansion and evolution of the Internet has played an unprecedented role in the proliferation of child pornography distribution. The average growth rate for an Internet pornography site is approximately four hundred per cent annually.

The Internet offers diverse opportunities in the creation and distribution of pornography. Discussion and news groups, Internet Relay Chat (IRC - the cyberspace equivalent of a telephone conference call) and electronic bulletin boards enable paedophiles to obtain and disseminate child pornography anonymously. Many paedophile networks, such as the North American Man/Boy Love Association (NAMBLA), predate the Internet, but make extensive use of it to disseminate their message and to augment their membership. Pedowatch, an organization set up in 1998, estimates that approximately 1500 paedophiles make contact and exchange material daily via IRC. Beyond this, the increasing numbers of young people using the Internet has transformed cyberspace into a paedophile hunting ground.

Chat rooms provide a forum for interactive conversations. Visitors use handles (a name adopted to protect their real identity) to ensure anonymity. This environment creates a forum for paedophiles to communicate, meet other paedophiles and prey on children. Some paedophiles portray themselves as young people while online to encourage more intimate conversations with children. Victims become commodities to be shared internationally.

Morphing, a method of fusing pictures to create a new image, is increasingly popular with paedophiles. To date, there is no technology to detect morphing in electronic photographs.

One operation, coordinated by the National Crime Squad in the United Kingdom, and involving 12 countries including Canada, investigated an international child

pornography ring resulting in the arrest of more than 40 people in the fall of 1998. Investigations are ongoing. No Canadian citizens have been arrested to date. The ring under investigation was based in the United States but originally detected by the Sussex Police in southern England. The National Crime Squad coordinated raids internationally, including in Canada, which resulted in the seizure of computer equipment, and over 750,000 computer images and videos of children. Some of the club members simply exchanged material, but others produced videos and pictures.

Another operation, originating in Germany with operations extending to other European countries as well as the United States and Canada, led to the identification of two suspects in Canada. Investigations by the Sûreté du Québec resulted in the arrest of one of those individuals.

A multi-agency transnational project aimed at identifying traveling child sex abusers, and linking border control and customs activity to other domestic agencies, was conducted in Canada by Revenue Canada Customs in 1998. Points of entry into Canada were targeted in an effort to stop the physical distribution of child pornography. This resulted in the arrest of 10 previously unknown child sex abusers in certain of the nine participating countries .

Regional Overview

Two of the top ten global commercial Internet pornography sites are located in Vancouver.

In June 1999, the British Columbia Court of Appeal upheld a lower court ruling that sections of Canada's child pornography law contravene the Charter of Rights and Freedoms. The judgement is not binding in other provinces and is expected to be appealed to the Supreme Court of Canada. The earlier ruling dealt only with possession, and did not affect laws prohibiting the manufacture and distribution of child pornography.

In October 1998 representatives from law enforcement and regulatory agencies in Alberta met to discuss the pooling of resources and adoption of a unified approach to combating the sexual exploitation of children. A protocol for the exchange of information has been established. The Alberta police community is prepared to examine issues related to legislative changes involving paedophile activity.

Saskatchewan has experienced activity in this area as well. Evidence of child sexual exploitation has been uncovered through the servicing of computers, or reporting by parents whose children have inadvertently developed chat line relationships with individuals seeking sexual encounters. Revenue Canada Customs Border Services have also intercepted packages of print material and videos depicting child pornography en route to Saskatchewan. To date, however, the sexual exploitation of children and child pornography remains an area of criminal activity that is largely undetected or not reported.

In Manitoba, in the last year, the Winnipeg Police Service conducted four investigations dealing with child pornography on the Internet that resulted in charges being laid.

Since 1993 law enforcement in Ontario has been actively investigating the sexual exploitation of children over the Internet. Unlike adult pornography, which is a very lucrative industry, most child pornography is distributed freely on the Internet. The electronic environment in which they operate has given rise to a feeling of security among paedophiles, particularly with the technology of encryption and anonymous re-mailers. This feeling of security has encouraged paedophiles to establish contact with one another and to collect massive quantities of child pornography.

Project "P", managed by the Ontario Provincial Police, has been investigating cases of child victimization and exploitation since 1975. This unit coordinates the majority of child pornography cases in the province involving the Internet. The

Project "P" unit assists other law enforcement agencies with charges against paedophiles.

Since January 1997 the Montreal Urban Community Police has opened 57 files to investigate child sexual exploitation in its jurisdiction. The Sûreté du Québec has received over 48 requests for investigation in this area. Of this number, 18 resulted in arrest.

In the Halifax area, law enforcement agencies established a local working group on the sexual exploitation of children. The working group, comprising Halifax Regional Police, the RCMP, Revenue Canada Customs and other agencies, meets to share information and present ideas to combat this problem. They estimate that some ten to twenty persons are involved in the possession or distribution of child pornography on or through the Internet in their area.

In response to the national coordinated law enforcement strategy against the exploitation of children, a project was created in Newfoundland to monitor activity at the provincial level. Both the RCMP and the Royal Newfoundland Constabulary are involved in this initiative in an attempt to prevent further abuse and exploitation.

Outlook

- The distribution of child pornography will increase, facilitated by the Internet.
- The number of international paedophile rings will increase as the global community connects through chat rooms and other Internet services.
- Canadians engaged in sex tourism will continue to be a concern for law enforcement.

OTHER MONITORED AND EMERGING ISSUES

CONTRABAND

Highlights

- Contraband includes the trafficking of commodities such as tobacco, alcohol, jewellery and stolen vehicles both within Canada and across the United States/Canada border.
- Organized crime groups continue to engage in smuggling operations in and around First Nations territories in Ontario and Quebec.
- The United States is the primary source of illegal weapons that are brought into Canada.
- Prime destinations for stolen vehicles are countries in Eastern Europe, Southeast Asia, the Middle East, Africa, the Caribbean and South America, with few local car distributorships and high tariffs on imported vehicles.

Overview

Organized criminal groups that have traditionally been involved in the cross-border smuggling of contraband commodities such as drugs and firearms are turning to commodities that offer greater profit margins with less risk. Tobacco and alcohol remain the foundations of the contraband trade, but new commodities such as jewellery, computer components, cigars and pornography have been noted. The laws of supply and demand can be expected to prevail in this regard.

Tobacco

Currently, smuggling is a three-pronged problem - one involving cross-border smuggling and inter and intra provincial diversions. According to its unique circumstances, each province faces varying levels of these components.

Where cross-border smuggling is concerned, the most popular route used by contraband smugglers goes through Akwesasne, a First Nations reserve that straddles Ontario, Quebec, and New York State.

Cigars are still in great demand throughout Canada. One criminal initiative involves changing the packaging on sub-standard brands to suggest that they are high quality Cuban products. In late December 1998, the RCMP in Montreal made important seizures of cigars, tobacco and paraphernalia following search warrants carried out at some 60 business establishments. During this investigation, it was estimated that 70 per cent of Cuban cigars sold in Montreal are counterfeit and of poor quality.

Developments in the contraband tobacco trade in 1998 included the arrests of a number of key smugglers and the imposition of strong sentences.

A number of major tobacco companies have been the subjects of massive civil and criminal proceedings. In December 1998, a subsidiary of R.J. Reynolds, the North Carolina-based Northern Brands International Inc., pleaded guilty in the United States to involvement in a massive tobacco smuggling operation. Northern Brands was an affiliate of Toronto-based RJR-Macdonald Inc., the third largest tobacco company in Canada. During this operation, exported Canadian cigarettes were smuggled back into Canada through Akwesasne. Penalties of \$15 million were imposed. This conviction marks the first time a major tobacco company has been formally linked to smuggling and also the first time an affiliate of a major tobacco company has been convicted of a federal crime in the United States.

Further to this, in late February 1999, a marketing executive for an R.J. Reynolds subsidiary was charged with involvement in this same operation. He allegedly met with key individuals to make arrangements to have the Canadian cigarettes exported to the United States and then returned to Canada.

The tobacco trade continues to be a significant problem in British Columbia with revenue losses to the province of \$125 million per year. Interprovincial seizures made in British Columbia include a large percentage of Ontario stamp and black stock (native quota tobacco) from First Nations reserves in Ontario and Quebec. Distribution methods are similar to those used for contraband border products, including the use of personal luggage on commercial airline carriers. Organized crime groups tend to ship small quantities of tobacco to avoid detection and major losses. Mail order sales of tobacco continue to be a widespread problem.

A large part of the Winnipeg black market in cigarettes appears to be Ontario stock or Ontario black stock, intended for use by Ontario First Nations people. Inter-provincial smugglers use rental or cube vans or third party vehicles carrying one thousand to two thousand cartons per load.

The destination of these products is not always known, but investigators believe that Outlaw Motorcycle Gangs, and Traditional and Asian-based organized crime groups are the recipients. The smugglers employ counter-surveillance methods, decoys, the intimidation of police officers and other methods to avoid attention and detection.

Sentencing of two of the largest cigarette traffickers from the Kahnawake First Nations reserve in Quebec included fines of \$25 million and \$20 million. These are the largest fines related to tobacco smuggling ever handed down in Canada.

Raw leaf and fine cut tobacco have been of particular interest to smugglers over the past year. Some parts of the country report that they have replaced cigarettes

as the commodity of choice. This may be a response to aggressive enforcement action and sentencing and to new legislation, as in Quebec.

In January 1999, more than two tonnes of illegal tobacco (mostly unstamped raw leaf bales), valued at \$168,000, were seized from a garage near Drummondville, Quebec. In March 1999, several hundred pounds of cut tobacco and cases of cigarettes were seized in the Montreal region. The tobacco manufacturer involved was closed down and all its tobacco stocks and machinery confiscated. It was alleged that only ten per cent of the company's production was being declared to Revenue Canada.

Cross-border tobacco smuggling in New Brunswick has decreased in 1998, but inter-provincial smuggling continues to be a problem. The majority of tobacco products originate in Quebec and Ontario and come through the northwest part of the province. Drug dealers are also involved in the contraband tobacco business.

In Nova Scotia, some native allotment tobacco is being illegally sold to non-natives. Native tobacco vendors also make large purchases of "purple band" Nova Scotia tobacco, which are HST exempt for on-reserve sales. Some vendors then illegally transfer the product from reserve to reserve, with part of the product sold off reserve to corner stores.

Most contraband tobacco coming into Newfoundland comes from the French Islands of St. Pierre and Miquelon. Previously the main source had been Central Canada. A successful RCMP project in 1997 resulted in a dramatic decline in the amount of contraband tobacco and tobacco products in the St. John's area. This operation was instrumental in disrupting the mainland supply of contraband to the St. John's area.

Organized smuggling groups in Newfoundland have well developed networks of buyers and distributors. These groups are known to use sophisticated methods

of counter surveillance, similar to those used by drug dealers. Smugglers who are active in the interprovincial tobacco trade prefer to use private vehicles, commercial transport trucks and courier services. Smugglers who are active along the Burin Coast use small boats with high powered motors and advanced navigational equipment to make their runs to St. Pierre and Miquelon.

Alcohol

Most of the alcohol smuggled into Canada arrives over the land border from the United States, either directly or in transit from other countries.

The Quebec Finance Department estimates that more than \$150 million in revenue is lost annually because of the contraband alcohol trade. A 1997 study of the alcohol smuggling situation in Ontario noted that one quarter of the market was contraband alcohol, representing an estimated revenue loss of \$250 million to the provincial government and \$100 million to the federal government. All major organized crime groups are involved in this aspect of the contraband trade.

In central Canada, large trailer loads of alcohol are brought from the United States, and cross at any one of numerous locations. In parts of western Canada, crime groups make regular trips to northern US states, particularly North Dakota. Trucks, from half-tons to tractor trailers, are used to transport the alcohol with legitimate loads of livestock, grain and coal. Outlaw Motorcycle Gangs are strongly implicated in the contraband alcohol trade.

The international smuggling of alcohol is on the decline in British Columbia due in part to the sagging Canadian dollar. Interprovincial alcohol smuggling, however, is on the rise. The retail price of Alberta alcohol products by volume is significantly less than that purchased in British Columbia.

A 1998 joint Canada/US enforcement initiative along the southern border of British Columbia culminated in the seizure of \$3.7 million worth of contraband.

During one 30-day enforcement blitz, drugs, currency, weapons, liquor and vehicles were confiscated.

Liquor from the United States remains readily available in western Canada. It is easily obtained at liquor outlets in northern states and sells for approximately \$110 Canadian per case. It can then be sold for \$180 per case in Canada. It is likely that liquor is smuggled back into Canada at non port or closed port locations during the night. Vehicles, particularly 4x4's and sports utility vehicles, are the preferred method of transportation. Crime groups usually use rental vehicles since they must forfeit their personal vehicle if they are apprehended with contraband.

Alcohol products continue to be smuggled though First Nations territories into Ontario from the United States.

Some smugglers also purchase alcohol products destined for export directly from Canadian distillers.

Organized crime groups in the province of Quebec are active in the illegal manufacture of alcohol using home-made stills able to produce 3,000 to 8,000 litres of alcohol per week. Between February 1997 and March 1998, four major operations were dismantled including one that was producing profits of \$4 million per year.

Most contraband alcohol in Newfoundland is manufactured in Canada, exported to the French islands of St. Pierre and Miquelon and then smuggled back to Canada using small high-powered open boats. Once ashore, the contraband is picked up by accomplices in vehicles or all terrain vehicles. The goods are either distributed immediately or concealed at remote locations for later distribution.

During 1998, a decline in the amount of contraband alcohol entering the province from the French islands was noted. Information from the Newfoundland Liquor

Corporation reveals a corresponding increase in sales from liquor outlets from 1996 to 1998.

Illegal Movement of Firearms

1998 saw numerous seizures of illegal weapons, particularly in British Columbia, Ontario and Quebec. Most originated in the United States and were smuggled into Canada by a variety of means. In some cases, weapon components are shipped separately and then reassembled in Canada. Deactivated weapons (DEWATs) are being made functional by gunsmiths. There have been cases of weapons exchanged for illicit drugs.

Concealment in private vehicles constitutes the most common smuggling method. There have also been cases of bonded truckers being intimidated into transporting drugs, cash and weapons into Canada from the United States.

An investigation in British Columbia confirmed that Canadian criminals purchase new weapons in the United States, that multiple weapons (six to eight at a time) are smuggled into Canada.

The Nelson area in British Columbia has attracted a number of right wing extremist organizations. Members and associates of one white supremacist organization claim that they smuggle guns into Canada from the United States. Local drug dealers trade drugs for guns in the United States, then smuggle them back into Canada and offer them for resale.

The link between the drug trade and the illegal movement of firearms is believed to be important in Saskatchewan. Many drug traffickers have acquired firearms, often in exchange for illicit drugs, in order to protect themselves and their territory. In some cases, drug dealers have developed a sideline in firearms, mainly handguns, and claim to have access to many different types.

In Regina and Saskatoon, Outlaw Motorcycle Gang members are involved in the illegal movement of firearms along with the drug trade. They supply anything from handguns to AK47's.

In Ontario, "Saturday-night specials" (usually small calibre, easily concealed handguns, not always of the best workmanship) are commonly imported from the United States and find their way into the hands of street criminals. Assault rifles and fully automatic shotguns are smuggled into the province for sale to militia groups, Asian and Aboriginal-based organized crime groups and Outlaw Motorcycle Gang members.

Firearms that are purchased legitimately in the United States and smuggled into Ontario are sold on the criminal market for up to four times their original cost. Smugglers use personal vehicles for smaller shipments of firearms. Larger quantities are smuggled across the border by tractor trailer or by boat.

A recent undercover operation in Ontario focused on illegal weapons smuggling. Two hundred and forty-three weapons were recovered and 64 people were charged. Stolen property, vehicles and illicit drugs were also recovered.

First Nations territories, particularly Akwesasne, appear to be a significant conduit for illegal firearms en route to Canada.

In 1998, there were two significant thefts from Nova Scotia firearms dealers. In one case, 56 handguns were stolen from a gun shop in rural Nova Scotia. Eighteen of these weapons were later recovered in Halifax. A second theft involved 17 weapons, including nine handguns.

In Newfoundland, the illegal movement of firearms occurs on a modest scale and involves local organized crime groups. Most of the illegal firearms coming into province originate in Ontario and Quebec. They are transported from the

mainland with relative ease using passenger vehicles, transport trucks, courier services and other means.

Organized Crime in Maritime Ports

Criminal organizations are entrenched within the infrastructure of Canada's maritime ports, a position they use to control the bulk of contraband entering through the ports. This trend parallels the criminal penetration of legitimate business throughout Canada as a means of furthering criminal enterprise. The ability to move contraband undetected through a port of entry is essential to the success of many criminal enterprises. The criminal infiltration of a port is usually accomplished through the placement of members, associates, relatives and friends in legitimate positions at the port. It is often accompanied by intimidation of regular port workers to ensure either cooperation or silence.

This presence allows criminal organizations to gain valuable knowledge of import and port procedures and to monitor any law enforcement activity at the port. It also permits them to facilitate the movement of contraband into the ports and to conceal it pending distribution. They also facilitate the diversion of legitimate imported goods to the illegal commodity market and assist in the export of illegal goods, such as stolen vehicles, from Canada to consumers in other countries.

Organized crime has a particularly pervasive presence at the three major marine container ports of Vancouver, Montreal and Halifax. Organized crime groups have long standing links to employees at many Canadian ports. As well, there are many smaller criminal groups operating independently of the major organized crime groups. These smaller groups are normally involved in "opportunistic" pilferage of goods from import shipments.

There are a variety of illegal products entering Canada through marine ports including drugs, alcohol, tobacco, firearms and illegal migrants. Illegal drugs represent the greatest threat, however. The interdiction of drugs and other

contraband is complicated by the fact that over 700,000 marine containers enter Canada each year. Container examination is difficult and time consuming and even with careful targeting and intelligence, only a small percentage of containers are searched. Despite this, Canada Customs, with the assistance of the RCMP and other law enforcement agencies, has seized significant quantities of drugs entering Canada through marine ports.

Stolen Vehicles

While some stolen vehicles are smuggled to the United States, prime destinations are countries in Eastern Europe, Southeast Asia, the Middle East, Africa, the Caribbean and South America with few local car distributorships and high tariffs on imported vehicles. Luxury cars often can be sold abroad for at least twice their North American market value. Ontario and Quebec remain the centres of automobile theft activity in Canada. Cars are brought to Canadian ports for shipment overseas or are transported to the United States, either for resale there or for further transshipment from US ports.

The port of Vancouver and Halifax are popular choices for stolen vehicle smugglers. In 1998, for example, 15 vehicles stolen from Montreal and Toronto were discovered in Halifax ready for export. Small ports, such as Shelbourne, Nova Scotia are also used. Although the smaller ports cannot handle the large volumes of the major ports, enforcement presence is correspondingly less. As well, some smugglers ship stolen vehicles by rail to US ports, taking advantage of the fact that goods en route from Canada are less likely to be scrutinized by US authorities than goods arriving from abroad.

Of the approximately 50 automobiles stolen each day in the Greater Toronto Area, only about fifteen are ever recovered. Organized theft rings steal vehicles from residential driveways and streets, from dealership lots and from airport parking lots. Some vehicles are stolen from the owners at gunpoint in car-jackings. No one organized crime group has a particular monopoly over

automobile theft. Asian-based, Eastern European-based and Traditional Organized Crime groups are known to be involved.

Outlook

- While organized crime groups continue to smuggle traditional products such as illegal tobacco and alcohol, they are actively exploring the potential of new commodities such as jewellery and weapons.
- The bulk of smuggled firearms will continue to find their way into the hands of organized crime and drug trafficking groups.
- Organized crime will continue to exercise influence at Canadian ports, which will remain an important venue for the smuggling of all types of contraband.
- Most organized crime groups continue to be involved in the export of stolen vehicles, shipping vehicles of choice out of the country through marine ports.

ILLEGAL GAMING

Highlights

- Criminal Intelligence Service Canada has initiated a national illegal gaming initiative in partnership with the Ontario Illegal Gaming Enforcement Unit (OIGEU).

Overview

Gaming revenues in Canada rose to \$4.8 billion dollars between 1992 and 1998, an increase of over 76 per cent.

Historically, illegal gaming has been the domain of organized crime. The threat of organized crime infiltration of legal gaming venues is ongoing.

The criminal element is well aware of the fact that illegal gaming offences are not an investigative priority in a number of provinces. There is little incentive to allocate scarce investigative resources to illegal gaming investigations, particularly where sentencing for non-violent crimes is minimal.

Casino loan sharking activity that targets compulsive or pathological gamblers creates additional risk. Gamblers who become indebted to these criminals may resort to crime to pay off debts and support their addiction.

Illegal gambling machines produce tremendous profits. Non-declared income from these machines is used by criminals to finance other criminal activities such as drug trafficking, money laundering and enterprise crime offences. Other gambling offences include illegal foreign and domestic lotteries, unauthorized pull-ticket distribution, bookmaking and illegal gaming houses.

There is no doubt that organized crime benefits from illegal gaming. In recognition of this, Criminal Intelligence Service Canada undertook a national illegal gaming initiative in 1998, in partnership with the Ontario Illegal Gaming Enforcement Unit.

The Ontario Illegal Gaming Enforcement Unit (OIGEU) comprises 40 investigators working in five regions of the province. In 1998 the main challenges for OIGEU were video gambling machines, illegal gaming houses (card rooms) and bookmaking operations. Over the course of the year OIGEU seized 950 video gambling machines valued at approximately \$3 million. Gaming equipment from illegal card rooms was seized and cash confiscated from those operations. Four hundred and ninety-five people were charged with 787 gaming related offences. Those convicted paid over \$1 million in fines, forfeitures and surrendered proceeds of crime.

It is this type of proactive stance with regard to illegal gaming that Criminal Intelligence Service Canada hopes to promote with its national illegal gaming initiative.

Outlook

- With the implementation of illegal gaming as a project in CISC and a corresponding increase in illegal gaming-related intelligence, the extent of the problem will become clearer.

TECHNOLOGICAL CRIME

Highlights

- Hacker tools are becoming more malicious and technologies used to communicate or hide a user's identity and information are becoming more user-friendly.
- Internet fraud threatens to undermine legitimate electronic commerce.
- Jurisdiction creates infinite problems for computer crime investigations. Developing workable codes of conduct, laws and communication networks is complex and time consuming.

Technology and Crime

While technology does not fundamentally change the nature of crime, it allows criminals to operate in ways that are more secure, more efficient and more clandestine than ever before. The Internet is an expanding information source, communications medium and business tool. Although employed primarily for legitimate purposes, it does not discriminate between lawful and unlawful users

and it is ideally suited to such criminal activity as fraud, drug trafficking and the distribution of child pornography.

The annual cost of technological crime in Canada is currently estimated at nearly \$1 billion. This figure does not account for the inestimable value of lost information in a world that is becoming increasingly dependent on technology.

The Internet

Even relatively unsophisticated hackers can employ any of the thousands of hacker tools available to break into computers and to read, steal or alter information. These hackers can be members of, or solicited by, organized criminal groups. There are malicious hacker tools that will allow a remote user to control or administer a computer over the Internet without the knowledge of the computer's owner.

Products designed to hide a user's identity and vital information proliferate on the Internet. Steganography, meanwhile, is the process of embedding files within files. Within the context of computers, text, image, voice or video files can be hidden behind an image. Internet "paging systems" notify a user that another user has logged on. Users can then chat, send messages and exchange files in real time. All of these tools are accessible on the Internet at no cost. While they do much to ensure the privacy of communications between lawful users of the Internet, they appear with increasing frequency in criminal investigations.

The Canadian Association of Internet Service Providers (CAIP) is a voluntary association of Internet Providers (ISP) in Canada. The CAIP voluntary code of conduct promotes the cooperation of ISPs with government officials and law enforcement authorities to clarify the different functions performed by Internet companies. As well, the code promotes the privacy of ISP users, including the disclosure of information to law enforcement authorities only as required by law.

Internet Fraud

Securities fraud on the Internet is increasing. The value of securities can be influenced by rumours circulated on web sites and in chat rooms. Since Internet trading sites exist without brokers to monitor and control such rumours, purchasers are vulnerable to fraud. Unscrupulous trading sites often persuade buyers to purchase stock whose value has been inflated. In some cases, the buyers may actually be induced to sell valuable stock in exchange for dormant, or even non-existent, stock.

Internet auction sites act as a vending location for buyers and traders and claim they are not responsible for the merchandise posted on their sites. In a number of cases, pirated software has been sold from auction sites. As well, clients have been billed for goods purchased but have never received their merchandise.

Globally, Canada has become a strong promoter of electronic commerce. Internet fraud threatens to compromise the integrity of legitimate sites as well as overall consumer confidence in electronic commerce.

Jurisdiction

Computer and Internet data are accessed from networks globally, but are generally stored on a server in a specific jurisdiction. This has sparked a number of legal debates over access to the information and the status of data that are considered criminal in the receiving jurisdiction, but not in the jurisdiction where they are stored.

A malicious hacker will "tunnel" through as many networks as possible to hide his trail and usually crosses a number of jurisdictional boundaries. Thus, the technological nightmare of tracing the hacker is exacerbated by the jurisdictional nightmare of ensuring that the trace is lawful.

Often, data must be captured in real-time or they are lost to the investigator. In other cases, simply locating the originator of a web site or e-mail address can be time consuming and labour intensive. This requires cooperation between law enforcement agencies, technologically knowledgeable judges to authorize search warrants and Internet Service Providers who store, among other things, web site and e-mail administrative logs.

These issues are being addressed in both national and international fora, however, developing codes of conduct, communication networks, international agreements and laws is a complex and painstaking task.

Outlook

- Hacker tools and cryptographic programs will become more user-friendly and insidious, facilitating criminal activity.
- Jurisdictional issues will continue to represent a serious handicap to complex computer crime investigations.

Y2K AND THE CRIMINAL THREAT

The Y2K issue raises a number of concerns for law enforcement. For example, a significant number of people have been hired in both the public and private sectors to rectify data code and computer chip anomalies. The urgency of the issue has meant that, in some instances, normal personnel security protocols have been relaxed or eliminated.

The critical infrastructure, a group of key government and private sector entities that provide services essential to the operation of society, is vulnerable as technology is modified and replaced in preparation for the year 2000.

Project SOLSTICE, a multi-agency effort that includes the RCMP, Criminal Intelligence Service Canada, the Department of National Defence, the Canadian Security Intelligence Service, Canadian law enforcement and DOMUS Security Division LGS Group Inc., has been initiated to complement the Year 2000 undertakings of Canadian federal government departments and enforcement agencies.

The objective of Project SOLSTICE is to prevent, detect and respond to serious criminal activity that may target the Canadian infrastructure during the Year 2000 transition.

Working in partnership with members of the infrastructure community, SOLSTICE investigators aim to promote awareness, deter criminal threat and continue contact and cooperation with critical infrastructure members through the year 2000.

ABOUT THIS REPORT

The *CISC 1999 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 the 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 individual neighbourhoods.

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.

CISC monitors and reports on national organized crime priorities including Asian-based, East European-based and Traditional (Italian-based) organized crime groups, as well as Outlaw Motorcycle Gangs. CISC also has intelligence projects in place to monitor the sexual exploitation of children and a contraband desk to cover other priorities and issues such as Aboriginal-based organized crime, the illegal movement of firearms and organized crime in marine ports. Emerging issues and issues of interest to our partners, for example, illegal gaming and technological crime, are also included in this report. The table of contents reflects the concerns and interests of CISC and its partners.