



2004

Annual Report

Organized Crime in Canada

Canada



Criminal Intelligence Service Canada

2004 Annual Report on Organized Crime in Canada

**Research for this report concluded on 2004-06-23
and is based on information available until that date.**

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



A National Police Service

Criminal Intelligence Service Canada

2004 Annual Report on Organized Crime in Canada

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**Message from the Chair
Criminal Intelligence Service Canada
RCMP Commissioner G. Zaccardelli**

Criminal Intelligence Service Canada (CISC) continues to be a leader in the national fight against organized and serious crime.

As chair, I am proud of CISC for becoming a best practice model of integrated policing. We have successfully brought together law enforcement agencies with partners from the private sector, academia and all levels of government to gain a better understanding of organized and serious crime and its impact on our communities.

Timely access to quality information and intelligence is the foundation of effective law enforcement. It allows us to set priorities and allocate funds based on current challenges and emerging trends. It also ensures a clear picture of organized crime activity, relationships and networks that threaten Canadian communities, allowing for the prevention, disruption and dismantling of organized and other serious crime threats before they take root.

I believe the collective efforts of law enforcement in this regard have brought the scope, impact and threat of organized crime into sharper focus.

The *CISC 2004 Annual Report on Organized Crime* is an excellent example of strategic co-ordination among all law enforcement organizations and emphasizes what we can achieve when we work together.

I am proud of our achievements over the past year. I would like to thank the entire CISC community for their collaboration and excellent work in creating this document.

I am deeply committed, personally and professionally, to making the vision of integration a reality. By committing to working more with our partners at home, and abroad, we are helping ensure safe homes and safe communities for all Canadians and contributing to a safer, more secure global community.



**Message from the Director General
Criminal Intelligence Service Canada
S. Conlin**

With illicit profits in the billions of dollars worldwide each year, organized crime activities have significant socio-economic effects on Canadian society and pose a challenge to the law enforcement community. Criminal Intelligence Service Canada is using a proactive and integrated approach to provide leadership in the collection and collation of criminal information that is analyzed to produce intelligence on organized and serious crime affecting Canada.

CISC is the voice of the Canadian criminal intelligence community. Through partnerships with our 380 member agencies within the Canadian law enforcement community and contributions from the private sector, academia and all levels of government, CISC produces strategic intelligence products and provides services to help develop strategies to detect, reduce and prevent organized and serious crime in Canada.

The *CISC 2004 Annual Report on Organized Crime in Canada* is meant to provide you with current information on significant organized and serious crime activities across the country and their effects on our communities.

CISC is also committed to continuous improvement in the information and intelligence we provide. That is why the *CISC Annual Report on Organized Crime in Canada* is going through some changes. This year, we have started outlining a number of the key socio-economic effects of organized crime on our communities.

I would like to extend my sincere gratitude to the CISC Provincial Bureaux and all the CISC partner agencies for their valuable contributions to this report.

Criminal Intelligence Service Canada

Established in 1970, Criminal Intelligence Service Canada (CISC) unites the Canadian criminal intelligence community by providing leadership and expertise to CISC member agencies in their integrated efforts to detect, reduce and prevent organized and serious crime affecting Canada. CISC consists of a Central Bureau in Ottawa that liaises with and collects information and intelligence from nine Provincial Bureaux. The Provincial Bureaux, which operate independently while maintaining common service delivery standards, are located in each province with the exception of Prince Edward Island whose interests are served by Criminal Intelligence Service Nova Scotia. The Yukon Territory is served by Criminal Intelligence Service British Columbia, while the Northwest Territories and Nunavut are represented by Criminal Intelligence Service Alberta and Criminal Intelligence Service Ontario, respectively.

Locations of the Central and Provincial Bureaux



CISC has two levels of membership. Level I membership in CISC is restricted to federal, provincial, regional or municipal police services and agencies that are responsible for the enforcement of federal and provincial statutes and have a permanent criminal intelligence unit. Level II membership in CISC may be granted to a police service or agency responsible for the enforcement of federal or provincial statutes unable to meet the qualifications of Level I membership.



The intelligence and specialized units of these law enforcement agencies supply their Provincial Bureaux with criminal intelligence and raw data related to organized and serious crime issues affecting Canada for further analysis and dissemination.

The CISC Executive Committee is the governing body for CISC. It is chaired by the Commissioner of the RCMP and comprised of 22 leaders from Canada's law enforcement community. This Committee meets twice annually to review the operation of CISC and to decide on goals, national intelligence priorities and monitored issues. The Director General of CISC, who heads the Central Bureau, is secretary to the CISC Executive Committee and coordinates the efforts of all Provincial Bureaux in the production and delivery of national strategic criminal intelligence products and services. The Directors of the Provincial Bureaux meet twice annually with the Director General of CISC to discuss organized crime issues and forward recommendations and resolutions to the Executive Committee.

The staff of the Central Bureau consists of RCMP employees and secondments from other police departments and government agencies. Secondments at the Central Bureau currently include: Canada Border Services Agency, Correctional Services Canada, Department of National Defence, Ontario Provincial Police, Ottawa Police Service, Service de Police de la Ville de Montréal and the Sûreté du Québec. CISC's Central Bureau receives administrative and financial support from the RCMP through its National Police Services.¹

CISC Priorities

CISC monitors and reports on the national intelligence priorities set by the CISC Executive Committee. The 2004 national intelligence priorities are: Asian-based, Eastern European-based and Traditional (Italian-based) organized crime groups, organized crime at marine ports, airports and land border areas and outlaw motorcycle gangs. CISC also monitors serious crime issues adopted by its Executive Committee. The monitored issues for 2004 are: Aboriginal-based organized crime groups, organized crime and the diamond industry, the illicit movement of firearms, the sexual exploitation of children, street gangs and technology and crime.

¹ Under the stewardship of the RCMP, the National Police Services provides essential, front-line support services to the law enforcement community in Canada and abroad, in particular, forensic analyses of criminal evidence; criminal records, information and identification services; enhanced learning opportunities, and coordination of criminal information and intelligence.

CISC recognizes that other criminal organizations operate in Canada at regional and/or national levels and that there are other serious crime issues that are of concern to law enforcement and the public. CISC is mandated to monitor and exchange intelligence on its national intelligence priorities and monitored issues, as well as to monitor and exchange intelligence on emerging organized crime and other serious crime issues.

ACIIS

CISC's member agencies collaborate in the collection, collation, evaluation, analysis and dissemination of criminal intelligence by contributing to the Automated Criminal Intelligence Information System (ACIIS), an on-line computer database. ACIIS is CISC's national repository for criminal intelligence and information on organized and serious crime. The Central Bureau is the custodian of ACIIS and manages it on behalf of, and in consultation with, all CISC member agencies.

About this report

The *CISC Annual Report on Organized Crime in Canada* is published to inform and educate the public. The activities and workings of criminal organizations are often complex and can be hidden from the everyday world. With this report, CISC seeks to make the negative socio-economic effects of organized crime visible and of concern to every community and region in Canada. One of the keys to success in the fight against organized crime is partnerships between law enforcement agencies as well as with policy makers and the public. Organized crime is a threat to public safety and to all Canadians.

Information related to national intelligence priorities and monitored issues has been verified through intelligence and investigation reports from Canadian and international law enforcement agencies received by CISC throughout the year. In particular, CISC relies on its member agencies across Canada to provide valuable information on organized crime trends and activities in Canada.

The report covers information from the previous year up to June 23, 2004.

This report is also available on CISC's website at: www.cisc.gc.ca.

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Executive Summary

The *CISC Annual Report on Organized Crime in Canada* is the primary way for CISC to inform the public of organized and serious crime issues as they affect Canada. Not only does CISC seek to raise public awareness, particularly of the negative socio-economic effects of organized crime, but also encourages the public's support of law enforcement's efforts to combat organized criminal activities. Contributions to the report derive from CISC's approximately 380 law enforcement member agencies.

As mandated by its Executive Committee, CISC reports on national intelligence priorities. The following comprise CISC's national organized crime priorities for 2004: Asian-based, Eastern European-based crime groups, organized crime at marine ports, airports and land border areas, outlaw motorcycle gangs and Traditional (Italian-based) crime groups. CISC also monitors serious crime issues, including: Aboriginal-based organized crime, illicit movement of firearms, organized crime and the diamond industry, sexual exploitation of children, street gangs and technology and crime. In this year's report, CISC also examines selected socio-economic effects of organized crime in Canada.

Asian-based organized crime (AOC) in the B.C. Lower Mainland and the greater Toronto area influences criminal activities and the supply of illicit commodities to other organized crime groups in various regions across the country. AOC will continue to pose a major threat in Canada through its multiple, sophisticated criminal activities, its significant criminal influence in many areas across the country and its supply of illicit drugs to other organized crime groups. Across the country, Vietnamese-based groups remain extensively involved in multiple residential marihuana grow operations with distribution within Canada and to the U.S.

Eastern European-based organized crime (EEOC) networks operate across the country; however, they continue to be concentrated in Ontario, with significant presence noted in British Columbia, Alberta and Quebec. EEOC groups in Canada are known to be opportunistic, with an ability to be involved in numerous criminal enterprises. EEOC strategically forms partnerships with other organized crime groups in Canada and internationally to help carry out its criminal enterprises.

Organized crime exploits any potential conduit to move illicit commodities from source or transit countries to their illegal consumer markets in Canada, in particular marine ports, airports or across land border areas. Due to a large volume of commercial traffic, marine ports remain vulnerable as conduits for contraband, in some instances aided by criminal elements influencing or operating within the ports. Similarly, Canada's airports are vulnerable to criminal exploitation and infiltration particularly at the major international airports. Organized crime will continue to exploit the large volume of land commercial and traveler movement between the U.S. and Canada to conceal and move contraband, currency and humans in both directions. As well, they will similarly exploit the less monitored areas between the designated customs ports of entry.

The HELLS ANGELS remains the largest and most powerful outlaw motorcycle gang (OMG) in Canada with the OUTLAWS and BANDIDOS currently maintaining a low profile. The HELLS ANGELS in British Columbia and several chapters in Ontario remain sophisticated and well-established; however, the group is facing challenges throughout the rest of the country as a direct result of being successfully targeted by law enforcement, from internal conflict and from increased competition from other criminal organizations. In Alberta, Quebec and Atlantic Canada, the HELLS ANGELS is facing increased competition in illicit drug activities from other organized crime groups.

Traditional (Italian-based) organized crime (TOC) is centred in Montreal, the greater Toronto area, Hamilton and the Niagara region, but is also present in Vancouver and Calgary and appears to have influence in other regions across the country. There may be some changes in the leadership and/or organization and operations of TOC in Ontario and Quebec due to a recent law enforcement action on a major TOC figure in Canada. TOC will continue to engage in the illicit drug trade and white-collar crime as well as investing criminal profits in both legitimate businesses and illicit activities.

Aboriginal-based crime groups take advantage of some Aboriginal reserves on or near the Canada/U.S. border to facilitate or conduct criminal activities. Aboriginal-based street gang recruitment typically focuses on Aboriginal youth, creating the next generation of gang members. Violence between the Aboriginal-based street gangs is expected to continue, posing a threat to public safety in some communities.

All organized crime groups are involved in illicit firearm activities in some manner and individual gang members often possess numerous firearms of various types. In urban centres across Canada, crime gangs increasingly

possess illicit firearms, particularly handguns, that are used in acts of violence and intimidation. Firearms smuggled from the U.S. or stolen within Canada will remain the primary sources of illicit firearms.

There is no indication that organized crime has infiltrated the primary diamond industry in Canada. However, some interest has been demonstrated by Eastern European-based organized crime and outlaw motorcycle gangs to explore opportunities relating to the secondary diamond industry. As Canada is increasing diamond production, there will be a corresponding increase in vulnerabilities and potential points of infiltration by organized crime groups.

Technological advances are facilitating the sexual exploitation of children through the increased availability of child pornography in Canada and internationally. On-line criminal networks are sharing child pornography and learning how to avoid detection from law enforcement, acquire more images and produce child pornography. Child prostitution continues to exist; its presence has been reported in many regions across Canada.

Intimidation, assaults or homicides are an integral component of street gang interactions. This violence is a serious threat to public safety, resulting in injuries and a sense of insecurity in communities. Currently, many street gangs have linkages with the more established organized crime groups that range from a criminal business association to serving in a support function to assist in criminal activities.

Technology facilitates individual criminals or organized crime groups in their involvement in both traditional and new crimes, increasing the scope and potential impact of their criminal activities.

Identity theft, an increasingly prevalent crime, enables criminals to use stolen personal information to drain individuals' bank accounts and obtain fraudulent documentation allowing the commission of other criminal acts.

Large and small communities across the country continue to be negatively affected by the often subtle yet complex effects of organized crime activities. CISC has selected significant criminal issues to highlight how organized crime directly and indirectly affects Canadians' public safety, economic well-being and sense of community. These issues include: violence, illicit drugs, marihuana grow operations, methamphetamine, contraband, counterfeit goods, human smuggling/trafficking, insurance costs and money laundering.

Canadians pay for increased law enforcement, judicial and corrections costs, as well as additional costs for health and social services to address issues such as illicit drug and gambling addictions. Insurance fraud costs Canadians more than a billion dollars annually through insurance premiums.

The cultivation and manufacture of illicit drugs in Canada pose a variety of potentially harmful public safety effects. For example, competition between individuals involved in marihuana cultivation has resulted in a number of assaults and homicides. Marihuana grow operations also often contain numerous fire hazards, while fires and explosions have occurred at clandestine methamphetamine laboratories.

Trafficked women can acquire and transmit sexually transmitted and infectious diseases in Canada's sex trade. Some individuals smuggled/trafficked into Canada may have serious criminal records. Counterfeit goods may contravene legal labelling regulations and safety standards, as they may contain only inactive ingredients, incorrect ingredients, improper dosages or be contaminated.

Organized crime groups and their criminal activities have diverse and varying negative impacts, affecting individual Canadians and communities nationally with various societal, economic, health and safety repercussions. The Canadian law enforcement community will continue in its coordinated efforts to combat organized and serious crime in Canada and to reduce its negative impacts on individuals and communities throughout the country.

CISC is cognizant that not all organized crime groups or serious crime issues that affect Canada are discussed within this *Annual Report*. There are many crime groups that do not readily fit within the broad-based cultural-geographic groupings used by CISC as a basic intelligence framework. In some instances, crime groups outside the framework may engage in criminal activities that are equal to or surpass the scope and magnitude of organized crime groups within CISC's current national intelligence priorities and monitored issues. In future *Annual Reports on Organized Crime*, CISC will work towards better assessing the level of criminality and threat posed by such groups.

CISC National Intelligence Priorities

Asian-based Organized Crime (AOC)

Highlights

- Asian-based organized crime (AOC) in the B.C. Lower Mainland and greater Toronto area (GTA) influences criminal activities and the supply of illicit commodities to other organized crime groups in various regions across the country.
- A number of AOC networks across the country are involved in sophisticated, high-level criminal activities, particularly the importation and distribution of cocaine, ecstasy and methamphetamine and the large-scale cultivation and distribution of marihuana within Canada and to the U.S.

National Overview

AOC in Canada is highly active in the B.C. Lower Mainland, Calgary, Edmonton and GTA, with concentrated activity in Saskatoon, Regina, Winnipeg and Halifax. In these regions, there are a number of strategically focused and highly sophisticated networks involved in a wide range of criminal enterprises. AOC in the Lower Mainland supplies illicit commodities to AOC and other criminal groups in Edmonton, Calgary, Regina, Saskatoon and Winnipeg and it also influences criminal activities in those areas. AOC continues to associate with other organized crime groups nationally and internationally, particularly in the U.S. and southeast Asia.

AOC groups remain involved in payment card fraud, illegal gaming, loan-sharking, prostitution and human smuggling/trafficking. The groups are also involved in the importation, production and/or distribution of a variety of illicit drugs, including heroin, cocaine, methamphetamine, marihuana and ecstasy. Like other sophisticated organized crime groups, some AOC groups launder profits from criminal activities and also reinvest in other activities such as loan-sharking, the export of stolen luxury vehicles, real estate/financing frauds and payment card frauds.

Some AOC groups exert considerable criminal influence, displaying dominance in a number of criminal activities. For example, in Alberta, AOC groups dominate the majority of street-level cocaine trafficking in urban centres and control a significant portion of marihuana grow operations in southern Alberta and a significant number in the north of the province.

Across the country, Vietnamese-based groups remain extensively involved in multiple residential marihuana grow operations with distribution within Canada and to the U.S. These operations are widespread throughout the B.C. Lower Mainland, Alberta and southern Ontario and will continue to increase in Saskatchewan, Manitoba, Quebec and Atlantic Canada. Profits from marihuana cultivation are often reinvested in other criminal activities, such as in the importation of ecstasy and cocaine. Marihuana cultivation continues to affect Canadians' health and safety, often resulting in toxic moulds, condemned grow houses, fire hazards and chemical vapours from pesticides. Additionally, individuals involved in marihuana cultivation often experience violence through home invasions, assaults and booby-trap-related injuries.

AOC in the B.C. Lower Mainland is involved in the large-scale importation and distribution of counterfeit tobacco and consumer goods, in particular, movies and music recordings as well as Asian-made, Canadian-brand tobacco. The operations are often highly sophisticated. For example, a seizure of counterfeit cigarettes had fraudulent packaging, including Health Canada warnings and B.C. duty-paid strips, indicating that the cigarettes were destined for that provincial market. Counterfeit goods have significant economic and social effects in Canada, undermining government tax revenue and legitimate industries, resulting in lost sales, jobs and investment, as well as posing potential health and safety risks.

AOC groups in B.C., Alberta and Ontario will continue to be involved in importing and trafficking methamphetamine precursors, manufacturing and trafficking methamphetamine. Depending on market demand domestically and in the U.S., there may be conflict with other criminal groups also interested in manufacturing and/or trafficking methamphetamine. Methamphetamine poses a public safety risk as it is highly addictive and physically destructive. Fires and explosions have occurred at methamphetamine production sites and the chemicals involved in the manufacturing process are often criminally discarded, creating toxic and environmentally damaging spills.

AOC groups continue to be involved in smuggling/trafficking people,² particularly women from southeast Asia, to Canada and the U.S. In a Calgary-based operation, individuals involved in massage parlours were targeted for

² Human smuggling involves procuring (typically for profit) the illegal entry of a person into a country of which that person is not a national, typically across borders. In contrast, human trafficking involves the movement of people (within or across borders) by means of force, coercion or deception and results in their exploitation through forced labour, forced prostitution or other forms of servitude.



arranging the transportation of women from Thailand, Malaysia and Vietnam to Canada. Once in Canada, the women were forced into a prostitution circuit that included Vancouver, Calgary and Edmonton to pay off smuggling debts typically worth tens of thousands of dollars. There are significant socio-economic repercussions as a number of women trafficked into Canada are forced into the sex trade.

Outlook

- AOC will continue to pose a major threat in Canada through its multiple, sophisticated criminal activities, its significant criminal influence in many areas across the country and its supply of illicit drugs to other organized crime groups.
- AOC will continue to pose a public safety threat through its involvement in the manufacture and distribution of methamphetamine, importation of counterfeit goods, involvement in marijuana grow operations and intent to dominate drug trafficking in many urban regions nationally, often through violence.

Eastern European-based Organized Crime (EEOC)

Highlights

- Eastern European-based organized crime (EEOC) groups in Canada are opportunistic and involved in numerous criminal enterprises, such as drug trafficking and fraud.
- EEOC strategically forms partnerships with other organized crime groups in Canada and internationally to help carry out criminal enterprises.
- EEOC groups operate across the country; however, they continue to be concentrated in Ontario, with varying levels of presence in British Columbia, Alberta and Quebec.

National Overview

EEOC's criminal ventures are carried out through a network-based organizational structure that allows it to form groups to carry out specific criminal activities, such as payment card fraud, while relying on the expertise of individuals outside the group to assist in the criminal undertaking. Some

EEOC groups are particularly opportunistic, with an ability to be involved simultaneously in both high-level (e.g., illicit drug importation) and low-level types (e.g., stolen property) of criminal enterprises.

Generally, EEOC comprises groups with individuals originating from a myriad of countries, including: Russia and other former Soviet Union (FSU) republics, the Czech Republic, Slovakia, Poland, Bulgaria, Romania, Serbia, Montenegro, Macedonia, Bosnia-Herzegovina, Slovenia, Croatia and Albania. As a result, the number of different cultures and languages used by EEOC present law enforcement with significant challenges as it collects intelligence and investigates these groups.

While EEOC is known for its concentration in frauds, most notably payment (debit/credit) card fraud, it is also involved in a wide range of other criminal activities, including: the export of stolen luxury vehicles, drug importation and trafficking, extortion, prostitution, money laundering, and the smuggling of humans and contraband (e.g., firearms, jewelry). Some EEOC groups' involvement in these criminal enterprises is evidence of their level of sophistication and organizational capacity. For instance, groups involved in the export of stolen luxury vehicles require a sophisticated criminal infrastructure to steal the vehicles, transport them to marine ports, provide false documents to mask the true origin of the vehicles, and finally to have access to foreign markets. In addition, groups that participate in payment card fraud are highly mobile, and have been found operating across the country. The fraud can be carried out in a short period of time, often within hours, but accrues significant financial gain from acquiring access to bank accounts through stolen personal identification numbers (PINs). This type of fraud requires specialized skills and expertise to manufacture or acquire illegally modified white-label automatic teller machines (ATMs)³ and/or related technology, as well as surveillance equipment, such as cameras to capture PINs.

In Russia and southern Africa, EEOC has demonstrated expertise in the criminal exploitation of the diamond industry. Some individuals associated to EEOC have demonstrated interest in capitalizing on opportunities relating to the diamond industry in Canada. The Canadian law enforcement community, in partnership with the diamond industry, is continuing to proactively monitor this sector to prevent criminal infiltration.

To help carry out criminal enterprises, EEOC strategically forms criminal partnerships in Canada and internationally. The groups partner with each

³ ATMs which are owned and operated by a private company rather than a financial institution.

other and other organized crime groups, such as outlaw motorcycle gangs and Traditional (Italian-based) organized crime. EEOC's ability to expand its criminal networks to other groups helps it to benefit from others' expertise in order to target new and/or specific criminal markets. Like many organized crime groups, EEOC prefers criminal ventures, particularly frauds, with relatively low risks, high returns and limited risk of detection. Organized criminal activities undertaken by EEOC groups often demand a significant amount of resources from law enforcement. Fraud investigations, for instance, are often very complex, involve multiple jurisdictions and require expertise and resources to trace multiple transfers of illicit proceeds.

EEOC groups are operating across the country; however, they continue to be concentrated in Ontario, with varying levels of presence in British Columbia, Alberta and Quebec.

Although the effects of EEOC's criminal activities may not always be visible, there are indirect threats to sectors such as the financial industry. The financial industry loses billions in revenue worldwide from payment card fraud. These losses may result in higher transaction costs for consumers, while victims have to contend with the time it takes to recover their identification documents. Similarly, vehicle-related theft and fraud cause insurance companies to lose revenue and policy-holders pay for fraud through increased premiums.

Outlook

- EEOC groups will continue to seek out mutually beneficial collaborations with other criminal groups to expand into new, profitable criminal markets (e.g. marijuana grow operations and the production of methamphetamine).
- The involvement of EEOC in fraud and the export of stolen luxury vehicles across the country will continue to affect Canadians and legitimate companies, such as the insurance and financial services industries.
- EEOC will continue to seek out criminal markets that present low risks and high profits, particularly in fraud-related schemes, such as payment card fraud.

Organized Crime at Marine Ports, Airports and Land Border Areas

Highlights

- Organized crime exploits marine ports, airports and land border areas to smuggle contraband and people into Canada.
- In some instances, the exploitation of marine ports and airports by organized crime involves either the corruption of existing employees or the placement of criminal associates into the port work forces to facilitate criminal activities.

Introduction

Organized crime exploits any potential conduit to move illicit commodities from source or transit countries to their illegal consumer markets in Canada, in particular marine ports, airports or across land border areas. Illicit commodities are either concealed within the large volume of legitimate commercial and traveler movement entering through designated customs entry points or smuggled surreptitiously through the vast stretches of less-controlled border areas. At marine ports and airports, the movement of contraband is sometimes facilitated by criminal elements that have infiltrated their workforces.

Organized crime exploits all means of entry into Canada to smuggle contraband and people into Canada and has significant social and economic impacts on Canadian society. The flow of illicit drugs into the country contributes to property crimes, violence including domestic disputes, assaults and homicides, and is related to adverse health effects such as addiction and the spread of infectious diseases. Some types of contraband, such as illegal tobacco and alcohol, result in a loss of tax revenue that could help fund health and social programs. Counterfeit goods from foreign sources can cause serious health and safety concerns because of incorrect or non-existent legal restrictions or regulations. As well, the smuggling and distribution of contraband can contribute to the corruption of public or private sector officials and professionals. The number of adverse effects requires law enforcement to allocate significant resources to monitor border areas in attempts to combat the illegal movement of contraband and migrants.

Marine Ports

In 1998, the *CISC Annual Report* first reviewed the threat of organized crime at Canada's marine ports. Marine ports continue to be used by organized crime groups to move a wide range of illicit commodities both into Canada

for domestic distribution and exported for international consumers. Most types of illicit drugs have been seized at marine ports, particularly cocaine, heroin, hashish and ecstasy. In addition, other forms of contraband, such as tobacco, alcohol and firearms, as well as smuggled humans, have been encountered. High-value stolen vehicles are illegally exported to foreign consumers in eastern Europe and Asia.

There are various components to marine movement that may be exploited by criminal groups including: commercial container movement, commercial general cargo and bulk shipments, roll-on-roll-off vessels,⁴ cruise ships, fishing vessels, private personal vessels, and crew members of vessels. Marine containers are the favoured medium in the international movement of most types of commercial goods and consequently are particularly exploited by organized crime to conceal and transport contraband.

In some cases, contraband is moved as part of the normal commercial marine movement and is assisted by false information on importation documents to obstruct enforcement scrutiny. The shipment may move through the port environment unassisted by any criminal conspirator within the marine port, be delivered through the legitimate transportation system across Canada and then be subsequently diverted to the intended crime group.

A significant component of the threat at marine ports is a criminal strategy of either the placement of criminal associates within the port environment or the corruption of current members of the port work force. The criminal presence within a port workforce may only involve a small number of individuals who attempt to conceal criminal activity from their co-workers. These criminal conspirators are usually employed in positions that allow access to port information and the movement of commercial cargo from the vessels and through the port environment. In some instances, the conspirators extract contraband from marine containers prior to enforcement inspection, while in other instances containers may disappear.

All marine ports that receive international shipping are potentially vulnerable to criminal exploitation; however, this situation has been particularly identified at the three largest marine container ports of Vancouver, Montreal and Halifax. The most significant criminal influences within the marine ports are linked to the HELLS ANGELS, Traditional (Italian-based) organized crime groups and independent domestic crime groups. Independent crime groups are not necessarily affiliated to any of the more established crime groups and

⁴ Type of carrier that can transport vehicles, such as commercial trucks, that can be driven on and off the vessel.

usually act as facilitators in the movement of contraband. These groups are usually entrepreneurial and will offer their services to any criminal client for a fee.

Across Canada, law enforcement continues to examine all marine ports to determine levels of criminality that either exist or could potentially develop. In some instances, criminality connected to specific ports has been clearly identified. At the Port of Vancouver, sectors of the workforce have been infiltrated by a small number of criminal elements, including some members and associates of the HELLS ANGELS, as well as other independent criminal operators. The port is being exploited to move illicit commodities into Canada as made evident by law enforcement seizures during 2003 including several incidents involving counterfeit products, in particular Canadian-brand cigarettes, and illicit drugs such as an 18-kilogram seizure of opium in December. In Ontario, there are numerous marine ports located within the Great Lakes System that are at potential risk for criminal exploitation as they are situated near areas of major organized crime groups, particularly Traditional (Italian-based) crime groups, Asian-based organized crime groups and the HELLS ANGELS.

In Quebec, there are a number of marine ports along the St. Lawrence that are vulnerable to organized crime, in particular the Port of Montreal. The port continues to be exploited to move contraband into Canada as is evident by a December 2003 seizure of approximately 269 kilograms of powdered ecstasy discovered in a container arriving from Antwerp, Belgium that was declared to be potato starch.

In the Atlantic provinces, the Ports of Saint John and Halifax have been connected in the past to smuggling attempts. In 2002, law enforcement disrupted a significant crime group operating at the Port of Halifax. However, it did not deter the continued exploitation of the port as is evident by the interception of 11.5 tonnes of hashish in January 2003 and 172 kilograms of cocaine in March 2003.

The RCMP and Canada Border Services Agency (CBSA) in conjunction with other federal, provincial and municipal agencies and departments, are tasked to monitor the diverse and massive marine movement into and around Canada. Effective July 1, 2004, marine port security and workforce screening will be enhanced with the implementation of the International Ship and Port Facility Security (ISPS) Code. Currently across Canada, there are integrated enforcement/intelligence units in Vancouver, Montreal, Halifax and Saint John. In addition, the RCMP has National Ports Enforcement Teams (NPETs) that are mandated to investigate federal statute offences.



Airports

Airports, much like marine ports, are also vulnerable to organized crime exploitation as they typically occupy a large physical environment through which moves large numbers of passengers, visitors and cargo that are difficult to monitor. All airports in Canada that receive international flights are targets for organized crime exploitation and have been used as conduits for various types of contraband, particularly illicit drugs; including heroin, cocaine, hash oil, opium and ecstasy. International airports are also used as entry points for illegal migrants using false documents who are often assisted by organized crime groups. Human smuggling is evident at Canada's three largest international airports: Vancouver International Airport (VIA), Toronto's Pearson International Airport (PIA) and Montreal's Pierre Elliott Trudeau Airport (PET). Airports are also used domestically by organized crime to transport illicit commodities across Canada.

Illicit drugs have been discovered concealed within air cargo shipments and luggage or secreted on the bodies of travelers. As well, to circumvent enforcement scrutiny, particularly at major international airports, crime groups insert their associates or corrupt employees to assist in smuggling. In some instances, co-conspirators at the originating foreign airport conceal contraband either on the aircraft or within luggage to be surreptitiously retrieved by corrupted airport employees in Canada.

To illustrate the immensity of activity that surrounds international airports and the enforcement complexity, consider Canada's busiest airport — Toronto's PIA. It covers 1,792 hectares, handles more than 318,000 tonnes of commercial cargo as well as 13.7 million travelers arriving annually from the United States and other foreign countries and has more than 70,000 on-site workers. Internal employee conspiracies have been detected in the past to facilitate contraband movement. This was reaffirmed by a recent law enforcement seizure in January 2004 of 29 kilograms of hash oil carried by an airport baggage handler. Significant quantities of cocaine and ecstasy have also been interdicted at the airport. In another example, during one day in April 2004, a total of 85 kilograms of cocaine was seized in two incidents.

VIA is Canada's second busiest airport and is a major destination of international flights from Asia. It has been exploited by Asian-based groups to smuggle both illicit drugs, such as opium and heroin, and people into Canada. Montreal's PET is exploited by a number of criminal groups. For example, in one investigation, a smuggling scheme was disrupted with the arrest of one airport security officer and the seizure of approximately 14 kilograms of cocaine. Illicit commodities have also been intercepted at other Canadian airports that receive international flights.

CBSA and the RCMP jointly are engaged to combat both the use of airports as conduits of contraband and the exploitation of the airport workforce to facilitate its movement.

Land Border Areas

Canada shares a lengthy land border with the U.S. with enforcement responsibilities shared between the RCMP and the CBSA. CBSA is responsible for the designated customs entry points while the RCMP assumes responsibility for all areas between these entry points. There are Integrated Border Enforcement Teams (IBETs), consisting of members from various U.S. and Canadian law enforcement agencies, situated along the border between Canada and the U.S. that assist in combating cross-border criminality.

Organized crime uses both the designated land entry points and the vast areas between the customs ports to smuggle commodities and people in both directions between the U.S. and Canada. The exploitation of designated entry points is facilitated by the large volume of commercial and traveler traffic between the two countries through both rail and highway transportation. The border area between B.C. and Washington state is exploited by organized crime groups, such as Vietnamese-based and Eastern European-based groups. In Alberta, Saskatchewan and Manitoba, organized crime also exploits the land border to move contraband, particularly illicit drugs. The southwestern Ontario border with the U.S. is the focal point of the largest flow of international legitimate commercial and personal traffic. In some instances, illicit drugs have been concealed within commercial shipments facilitated by a small element within the trucking industry that has been corrupted by organized crime.

The illicit products smuggled into Canada from the U.S., in varying quantities each year, include: tobacco, alcohol, firearms, jewelry, illicit drugs, currency and child pornography. These illicit commodities enter Canada across the land border from British Columbia to the Atlantic provinces. Commodities, such as tobacco and alcohol, continue to be favoured smuggled products for illicit markets that avoid the federal and provincial taxes applied to these legally distributed products. Firearms that are easily and legally acquired in the U.S. can then be illegally diverted to criminal groups and individuals in Canada. Cocaine transits the U.S. from South America, the Caribbean, and Mexico and is subsequently smuggled into Canada. In return, illicit drugs, such as marihuana, currency and people are smuggled into the U.S.

The unique geographical locations of some Aboriginal reserves, particularly those near the Canada/U.S. border, have been exploited by Aboriginal-based smuggling groups to smuggle drugs, firearms, tobacco and people between



Canada and the U.S. In many instances this illegal movement is conducted on contract for other organized crime groups based in Ontario and Quebec.

Outlook

- Due to the large volume of commercial traffic, the major container ports of Canada remain vulnerable as conduits for contraband entering Canada; in some instances criminal elements influencing or operating within the ports will aid in the smuggling.
- Canada's airports will continue to remain vulnerable to criminal exploitation and infiltration particularly at the major international airports that receive frequent flights from either source or transit countries for various types of contraband, such as illicit drugs.
- Organized crime will continue to exploit both the large volume of land commercial and traveler movement between the U.S. and Canada to smuggle commodities, currency and people in both directions. As well, organized crime will exploit the less-monitored areas between the designated customs ports of entry.

Outlaw Motorcycle Gangs (OMGs)

Highlights

- The HELLS ANGELS remains the largest OMG in Canada; however, this group is experiencing varying degrees of weakness in Alberta, Manitoba, Quebec and Atlantic Canada due to law enforcement operations, internal conflict and increased competition from other criminal organizations.
- Drug trafficking remains the primary source of illicit income of the HELLS ANGELS in Canada though the group is also involved in a variety of other criminal activities.

National Overview

The HELLS ANGELS remains the largest and most powerful outlaw motorcycle gang (OMG) in Canada with 34 (of which two in Quebec are currently inactive) chapters across the country comprising approximately 500 members. The HELLS ANGELS in British Columbia and several chapters in Ontario and Quebec remain sophisticated and well-established. However, the HELLS ANGELS is facing challenges throughout the rest of the country as a direct

result of being successfully targeted by law enforcement, from internal conflict or from increased competition from other criminal organizations.

The OUTLAWS and BANDIDOS have been maintaining a low profile since law enforcement actions in 2002 significantly reduced their degree of threat. The OUTLAWS has seven chapters in Ontario, only three of which operate with any degree of stability. The BANDIDOS has one full chapter in Ontario and recently established a probationary chapter in Alberta. This probationary chapter may be an indication that the BANDIDOS, which has maintained a low profile in Canada since late 2002, may pose a challenge to the illicit drug activities of the HELLS ANGELS in western Canada.

OMGs, particularly the HELLS ANGELS, derive significant financial income from various criminal activities across the country such as prostitution, fraud and extortion. However, drug trafficking, particularly cocaine, marihuana and increasingly methamphetamine, remains the primary source of illicit income for OMGs. Their criminal activities can result in increased insurance premiums, property crimes and financial losses to victims and businesses. Drug trafficking can result in street-level violence from disputes over territory, drug-debt collection and related property crimes committed to support illicit drug addiction. So-called mega-trials of HELLS ANGELS in Manitoba and Quebec have resulted in a significant dedication of justice resources to long, complex trials involving multiple individuals and charges. In Quebec, the trials, to date, have resulted in a 100 per cent conviction rate.

The HELLS ANGELS in Canada has significant links to other organized crime groups. For example, some HELLS ANGELS members in B.C., Ontario and Quebec have links to members of Traditional (Italian-based) organized crime. These criminal networks can be used to facilitate the importation/exportation of illicit commodities.

The HELLS ANGELS' criminal influence is growing in B.C. and Ontario; however, it is declining in Alberta, Manitoba, Quebec and Atlantic Canada. In some areas, the HELLS ANGELS is facing increased competition from other organized crime groups, such as Asian-based networks. In Edmonton, the BANDIDOS appears to be gaining support among local criminals. This competition has increasingly forced the HELLS ANGELS into cooperation with other criminal organizations in the trafficking and distribution of illicit commodities. As the HELLS ANGELS' Halifax chapter was closed in 2003, its criminal influence in Atlantic Canada was significantly reduced. While there remains a smaller, less-sophisticated OMG presence in the region, it is unclear what criminal group(s) will emerge to dominate the illicit drug trade.

Despite law enforcement successes in the last year, which resulted in the arrests of multiple individuals on charges of drug trafficking, vehicle theft, conspiracy and gangsterism, the HELLS ANGELS' criminal infrastructure in Ontario, and, to a lesser extent in Quebec, remains intact. The Ontario HELLS ANGELS has enhanced its influence since law enforcement actions severely weakened the OUTLAWS and BANDIDOS in 2002. The Quebec HELLS ANGELS still remain criminally active with four stable chapters. While the HELLS ANGELS' criminal influence in Quebec is reduced, the arrest of prominent members may present opportunities for lower-level groups, such as street gangs, to expand into activities formerly controlled by the HELLS ANGELS.

Outlook

- The HELLS ANGELS will use lower-level criminal gangs and intermediaries in efforts to conceal its criminal activities from law enforcement.
- The HELLS ANGELS will continue its involvement in criminal activities ranging from street-level drug trafficking and prostitution to higher-level activities such as fraud, money laundering and the importation, exportation and distribution of illicit drugs.

Traditional (Italian-based) Organized Crime (TOC)

Highlights

- Traditional (Italian-based) organized crime (TOC) is centred in the greater Toronto area, Hamilton, Niagara region and Montreal but is also present in Vancouver and Calgary.
- TOC groups and the HELLS ANGELS in British Columbia have a symbiotic relationship that is based on both social ties and illicit business associations.
- There may be some changes in the leadership and/or organization and operations of TOC in Ontario and Quebec due to a recent law enforcement action on a major TOC figure in Canada.



National Overview

Traditional (Italian-based) organized crime remains well-entrenched in Canada with particular strongholds in the greater Toronto area, Hamilton, Niagara region and Montreal and, to a lesser extent, Calgary and Vancouver. Most TOC groups have been in existence for several generations and continue to increase the sophistication of their operations as well as their ability to capitalize on both legitimate and illegitimate means of economic expansion. TOC is particularly adept at using strategically directed violence and corruption to achieve its goals. While some TOC groups retain a degree of traditional hierarchical structure, the majority are less-structured with multi-ethnic, cellular organizations that are capable of adopting various forms to best undertake the particular criminal enterprise. There is a significant willingness to collaborate with other organized crime groups and relationships exist between some outlaw motorcycle gangs and TOC groups.

TOC groups generally rely on the illicit drug trade as a primary source of wealth and are involved in many aspects including import/export, distribution and, more recently, marihuana cultivation. Illegal gaming, bookmaking and extortion also remain key activities of TOC with some groups capable of more sophisticated white-collar crime such as stock market manipulation.

The sphere of influence of TOC appears to be expanding throughout the country. In B.C., a stable TOC presence exists, particularly in the Lower Mainland, with some second-generation groups. TOC is positioned to be able to take advantage of a symbiotic relationship with the HELLS ANGELS in British Columbia where associations are based on social ties and illicit business connections. TOC and HELLS ANGELS members are known to interact in illegal gaming, the facilitation of money laundering, drug trafficking as well as exchanging services through individuals acting as drug debt collectors, enforcers and nominees⁵ on properties to facilitate marihuana grow operations.

In Alberta, several TOC groups have been identified. These groups operate independently and while no one group dominates the TOC criminal landscape, they are each capable of significant criminal activities including drug trafficking, illegal gaming, prostitution, loan-sharking and money laundering. Illicit profits made through these activities have been translated into legitimate businesses enabling these groups to gain credibility in the business community. TOC in Alberta seeks to maintain a low profile via a

⁵ Nominees are individuals with little or no criminal associations who are used as signatories on property to insulate the actual owners or operators from criminal proceeds legislation.

legitimate business facade; however, there are associations between some of these groups, outlaw motorcycle gangs and Eastern European-based organized crime.

In Ontario, TOC continues to maintain stable criminal organizations and exerts significant criminal influence. A number of TOC groups operate in Windsor, Hamilton, the greater Toronto area and Niagara region with limited competition between groups. Ontario TOC groups are very sophisticated and capable of a wide range of criminal activities including drug trafficking, illegal gambling, money laundering and large-scale fraud. In addition, several groups are particularly adept at white-collar crimes, which have the potential to affect the Ontario insurance industry.

Similarly, Quebec has a strong, sophisticated and stable TOC presence. In particular, TOC in Montreal is highly influential. However, in 2004, law enforcement arrested a significant TOC leader who has strong criminal ties in both Ontario and Quebec. It is unlikely that there will be an immediate change in the strength of TOC in Ontario or Quebec; however, over time, there is the potential of several TOC groups weakening. As well, changes in leadership may provide opportunities for other TOC groups to broaden their criminal enterprises and may also affect collaborative criminal associations with other organized crime groups.

TOC influence is limited in Atlantic Canada. In general, TOC does not have an established presence, but has provided assistance to or influenced other criminal groups in the region.

Outlook

- TOC will remain strongly entrenched in Canada and will continue to expand, capitalizing on its expertise in a variety of criminal activities and on its ability to remain well-insulated from law enforcement.
- As a result of law enforcement action, TOC groups in Ontario and Quebec are likely to experience some redistribution of power in the long term. This does not necessarily indicate a decline in TOC's criminal influence in these provinces but rather the potential for a shift in which TOC groups are capable of holding influence.

CISC National Monitored Issues

Aboriginal-based Organized Crime (ABOC)

Highlights

- Aboriginal-based street gangs and criminal groups generally support and facilitate other organized crime groups, such as the HELLS ANGELS and Asian-based networks.
- Aboriginal-based street gangs generally possess lower-level criminal capabilities while demonstrating a high propensity for violence, posing a threat to public safety.

National Overview

There are regional differences in Aboriginal-based organized crime's (ABOC) structure and nature. In Alberta, Saskatchewan and Manitoba, ABOC is almost exclusively composed of street gangs, while in Ontario and Quebec Aboriginal-based groups located near or along the Canada/U.S. border are involved in criminal activities that facilitate cross-border smuggling and the inter- and intra-provincial distribution of contraband.

In Alberta, the predominant street gangs — REDD ALERT, INDIAN POSSE and ALBERTA WARRIORS — are based largely in the Edmonton and Calgary areas. These gangs have affiliations with other gangs in Alberta. In Saskatchewan, the primary gangs are the NATIVE SYNDICATE in Regina and the INDIAN POSSE in Saskatoon. A number of smaller, less influential street gangs are also present in the province. In Manitoba, the primary gangs are the MANITOBA WARRIORS, INDIAN POSSE and NATIVE SYNDICATE.

The gangs regularly recruit from the Aboriginal population in large and small communities, correctional institutions and on reserves. In Alberta, both the REDD ALERT and INDIAN POSSE are expanding into smaller communities from their established territories in Edmonton and Calgary. Aboriginal-based gang recruitment typically focuses on Aboriginal youth, creating the next generation of street gang members. As a result, these Aboriginal youth will be at greater risk of being involved in gang violence and activities, posing harm to themselves and their communities.

Aboriginal-based street gangs are generally involved in opportunistic, spontaneous and disorganized street-level criminal activities, primarily low-level trafficking of marihuana, cocaine and crack cocaine and, to a

lesser extent, methamphetamine. The gangs are also involved in prostitution, break-and-enters, robberies, assaults, intimidation, vehicle theft and illicit drug debt collection.

Although the gangs' capability to plan and commit sophisticated or large-scale criminal activities is low, their propensity for violence is high, posing a threat to public safety. Gangs frequently use firearms, particularly handguns, that have been either domestically stolen or smuggled from the U.S. In Alberta, rivalry between the REDD ALERT and the INDIAN POSSE has resulted in violence as both gangs attempt to establish greater market share within the illicit drug trade. Gang violence is present in a number of smaller communities. Gang structures and alliances remain fluid, resulting in short-lived splinter groups with affiliations and rivalries that regularly change and evolve. As a result, violence between gangs will continue on an intermittent basis.

ABOC supports and facilitates criminal activities for other organized crime groups, particularly the HELLS ANGELS and Asian-based networks. These two groups supply a number of Aboriginal-based street gangs with low-level quantities of illicit drugs, including marihuana, cocaine and methamphetamine.

Organized criminal activities occur on a number of reserves across the country. Aboriginal-based criminal groups, located in southern Ontario and Quebec near or along the Canada/U.S. border, are typically composed of networks of entrepreneurial individuals who act as criminal brokers on or around reserves. The brokers, often associated to Asian-based networks or the HELLS ANGELS, are involved in criminal activities that facilitate cross-border smuggling of commodities including marihuana, currency and humans.

Aboriginal-based groups associated to other organized crime groups take advantage of the reserves' proximity to the Canada/U.S. border in order to conduct criminal activities including marihuana cultivation, organized vehicle thefts, illicit firearms activities, illegal gaming, the illicit diversion of tobacco, and drug trafficking on and between reserves. Additionally, some Aboriginal reserves have been targeted by criminal individuals to facilitate tax frauds by exploiting the taxation differences between on- and off-reserve areas.

Organized criminal activities on reserves, like in any small community, significantly affect the residents' quality of life, sense of community and social well-being. Organized criminals can exploit the tight kinship networks in small communities, often dividing families that have members who either criminally gain or may be opposed to the criminality. In addition, depending on the nature of criminal activities undertaken, organized crime groups can

pose a threat to public health and safety to those who live on and around the reserves.

Outlook

- As gang affiliations and rivalries change and evolve, violence between the gangs is expected to continue, posing a threat to public safety in some communities.
- ABOC will continue to be involved in a wide range of street-level criminal activities and will continue to target Aboriginal youth for gang recruitment.

Illicit Movement of Firearms

Highlights

- Organized crime groups and street gangs acquire the majority of their firearms either from domestic thefts or smuggled from the United States.
- Crime groups, in particular street gangs, often use illicit firearms in public displays of violence in relation to criminal or personal disputes.

National Overview

The illicit firearms market in Canada supplies established organized crime groups, street gangs and individual criminals with weapons. In Canada, criminals adopt illegal strategies to acquire these weapons due to the strict regulation and control procedures that cover all types of firearms in this country. These procedures assist law enforcement in preventing criminals or individuals considered a threat to themselves or others from possessing firearms. The illegal market also supplies a small number of individuals who wish to possess firearms but are determined to avoid the requirements of the firearms registration program.

One illicit firearm can pose an ongoing threat to the public and law enforcement until the weapon is seized by law enforcement or disposed of by the criminal. These firearms are used by criminals for their protection, enhancement of their status, and the commission of crimes including intimidation, assaults and homicides. All organized crime groups are involved in varying illicit firearm activities and gang members often possess numerous



firearms of various types. Across Canada, the problem of illicit firearms and violence is particularly concentrated within urban centres that have a significant organized crime or street gang presence. In these centres, gangs increasingly possess illicit firearms, particularly handguns, that are used in acts of intimidation and violence.

There is no known methodology to accurately estimate the overall illicit firearms market in Canada: either the current number of illicit domestic firearms or the number of illicit firearms that will enter the market annually from all sources. However, intelligence and investigations confirm that the illicit firearms market in Canada is supplied predominately from two sources: firearms smuggled from the U.S. and firearms stolen from either private residences or commercial venues in Canada. Legal collectors have sometimes been the victims of either random or deliberately targeted robberies for their firearms. As collectors often possess numerous types of firearms and/or firearms parts, robberies often can net the thieves substantive quantities of weapons either for their possession or to be sold on the illegal market to other criminals.

The U.S. has less stringent firearm regulations than Canada with many states having no licensing requirements. The firearms market in the U.S. is large, with an estimated 222 million firearms in legal circulation. The U.S. retail industry has been exploited as legally acquired firearms are being illegally diverted to Canadian traffickers and smuggled across the border. As well, secondary U.S. firearm markets, such as gun shows and flea markets, are significant sources of Canadian-destined illicit firearms. In many states, these secondary markets operate without any regulatory procedures to monitor and document firearm sales and/or exchanges.

There are a variety of other less significant sources that also supply the illicit firearms market in Canada. These include: firearms diverted from the legitimate commercial firearms market, firearms parts acquired legally or illegally which are reassembled into functioning firearms, firearms that have been declared deactivated, but are easily reactivated and firearms that have been wrongly declared deactivated but remain fully functional.

Firearms continue to be smuggled into Canada through a variety of methods, including: concealed within vehicles that cross designated land entry points and individuals smuggling firearms across unmanned border areas using vehicles, vessels or back packs. These smuggling attempts usually involve small numbers of firearms; however, in 2003 there were several instances in British Columbia in which individuals crossing the unmanned border were intercepted smuggling multiple handguns.

Law enforcement agencies across Canada are increasingly engaged in combating the illegal firearms market. CISC co-manages the National Firearms Tracing Unit in conjunction with the National Weapons Enforcement Support Team (NWEST). NWEST, administered under the National Police Services, provides firearms enforcement support across Canada. The Provincial Weapons Enforcement Unit, (PWEU), an Ontario joint-forces initiative, has been active since the mid-1990s in spearheading firearms-based investigations in that province.

The RCMP and Canada Border Services Agency are the main Canadian federal agencies responsible for countering the illicit cross-border movement of firearms. Their efforts are complemented by joint Canada/U.S. Integrated Border Enforcement Teams (IBETs) that are situated strategically along the length of the Canada/U.S. border.

Outlook

- The Canadian illicit firearms market will continue to be supplied predominantly by smuggled and domestically stolen firearms.
- Unregulated secondary markets in the U.S., such as flea markets and gun shows, will remain a significant source of illicit firearms.

Organized Crime and the Diamond Industry

Highlights

- Organized crime groups and individuals associated to organized crime have been identified as showing interest in the diamond industry for the purpose of infiltration or manipulation.

National Overview

The diamond industry in Canada is an established enterprise with a minimum life-span of twenty-five years. In the past year, Canada has risen to become the world's third largest diamond-producing country by value, exceeded only by Botswana and Russia. This rise in standing is due largely to the recovery of higher-quality stones than previously expected from the Diavik diamond mine in the Northwest Territories (NWT). Additional mines in the north are expected to begin production shortly, including Tahera Corporation's Jericho project located in Nunavut, projected to begin by 2006, and DeBeers' Snap

Lake mine located in the NWT that is projected to be in full production in 2007.

Exploration continues to expand throughout Canada including sites in Alberta, Saskatchewan, Ontario, Quebec and Labrador. Outside the NWT, the most advanced exploration is occurring at the Victor site in northern Ontario which will likely begin producing diamonds by 2007. No other sites currently under exploration are in the process of active development of mining operations.

There is currently no indication of organized crime infiltration into the primary Canadian diamond industry.⁶ The remote location and heavy security at the mine sites make this prospect unlikely.

The diamond industry remains potentially vulnerable to organized crime infiltration in most stages of the diamond pipeline from kimberlite exploration to the final delivery of stones to retail markets. During exploration, the diamond industry is vulnerable to the infiltration of individuals associated to organized crime into areas that have the potential to provide them indirect access to the diamond industry or rough stones. In particular, junior venture and contract companies, which supply much of the labour and expertise during test drilling, sampling, etc., are vulnerable to infiltration attempts. Individuals employed by these companies can have access to core samples, statistical data and potential mine sites. In particular, during exploration there is the potential for stock market manipulation where the misrepresentation of company stock portfolios via sample salting⁷ and false reporting of diamond findings can result not only in damage to the integrity of the primary diamond industry but also in potentially negative effects on Canadian financial markets.

A significant secondary diamond industry has developed throughout Canada that includes the sorting, cutting and polishing, marketing of rough stones as well as related warehousing, transport, construction and security. There are a wide range of opportunities for organized crime in these secondary industries as they vary widely in terms of hiring practices, mine access and contact with rough diamonds. In particular, due to a lack of skilled Canadian workers, the cutting and polishing field has broadened employment opportunities for foreign workers. Instances of foreign criminal records and connections to organized crime have been discovered in background checks on some workers.

⁶ The primary diamond industry comprises exploration and mining operations, whereas the secondary diamond industry refers to businesses which relate to or support the primary industry such as construction, transport and cutting and polishing houses, etc.

⁷ Sample salting occurs when diamonds or diamonds of higher quality are manually added to a diamond or kimberlite sample, thereby causing a false positive finding of diamonds or falsely increasing the potential value of the diamond find.

EEOC is a significant potential threat to the integrity of the Canadian diamond industry both domestically and internationally. Due to the success of the diamond industry in Russia, several EEOC groups have used their significant knowledge, experience and worldwide networks in the international diamond industry to further their illicit interests. This ability to benefit from knowledge in the diamond industry is demonstrated by EEOC's involvement in other diamond-producing countries such as South Africa, Angola and the Democratic Republic of Congo. It is this knowledge and experience which are threats to the Canadian diamond industry as there is the potential for them to be applied for illicit purposes in Canada. Of concern, in particular, is the potential for conflict diamonds⁸ to be mixed illegally with Canadian diamonds, thereby having a serious effect on the valuation of Canadian diamonds worldwide.

Domestically, there is the potential for EEOC to gain access to rough diamonds via secondary industries which would open the possibility of mixing and/or diverting lower-valued diamonds (most likely from other countries) during the cutting process, as well as providing easy access to a sophisticated means of money laundering.

Other organized crime groups, such as the HELLS ANGELS, have also expressed an interest in the secondary diamond industry via attempts to gain employment in a variety of areas, including construction, transportation and cutting and polishing. However, as a result of stringent diligence in hiring practices, no known organized crime member has gained access to the primary diamond industry. As well, organized crime interest in the diamond industry is consistently monitored by the RCMP-led diamond protection service with the cooperation of the Canadian diamond and diamond exploration industry.

⁸ Conflict diamonds originate in countries controlled by forces or factions opposed to legitimate and internationally recognized governments; the civil unrest is fueled and perpetuated by diamond profits that are used to fund military action.



Outlook

- Accompanying the increase in diamond production will be a corresponding increase in vulnerabilities and potential points of infiltration by organized crime groups. In general, more mines will be in operation, more diamond-related companies will be formed and a larger secondary diamond industry will develop.
- Organized crime, in particular EEOC, could take advantage of financial opportunities related to the diamond industry and could attempt to maximize the potential for devaluation, smuggling and money laundering.

Sexual Exploitation of Children (SEOC)

Highlights

- Law enforcement is combating the sexual exploitation of children (SEOC) through integrated joint-forces operations.
- Technological advances are continuing to facilitate the increased availability of child pornography in Canada and internationally, as well as to develop the advertisement of child sex tourism destinations.
- Child pornography and related criminal activities on the Internet are the most frequently investigated SEOC-related offences in Canada.

National Overview

Canada's commitment to investigate and prosecute SEOC is within the context of its support to the *G8 Strategy to Protect Children from Sexual Exploitation on the Internet*. Additional financial support to increase law enforcement's capacity to investigate those criminal offences has been given to the RCMP-led National Child Exploitation Coordination Centre (NCECC). The NCECC is a point of contact for complaints, particularly those relating to child pornography over the Internet, and their dissemination to relevant law enforcement agencies for investigation. The NCECC collaborates with various government departments, international law enforcement agencies and other organizations dedicated to protecting children.

Canada has implemented a number of legislative measures to combat SEOC, including those relating to child sex tourism, child prostitution, possession of child pornography and Internet luring of children.

In many provinces, law enforcement has recognized the need to combat SEOC from an integrated perspective. Integrated Child Exploitation Units have been established in several provinces and more are expected. Manitoba's Integrated Child Exploitation Unit and the Cybertip.ca initiative, an on-line reporting mechanism for Internet-based child pornography and other forms of child sexual exploitation, serve as examples of effective multi-agency responses. These measures aim to alleviate the challenges facing law enforcement in its efforts to combat SEOC. For instance, the increasing amount of child pornography on the Internet has led to a large number of potential investigations for law enforcement. Moreover, the involvement of numerous jurisdictions nationally and internationally complicates investigations.

Technological advances, specifically the Internet and increased computer storage capacities, including external storage devices (i.e., portable hard drives, hand-held devices such as personal digital assistants (PDAs)), have facilitated the increased availability of child pornography in Canada and internationally, as well as developed the advertisement of child sex tourism destinations. As a result, criminal networks have emerged on-line in order to share child pornography, learn from other collectors of child pornography how to avoid detection from law enforcement, learn how to acquire more images, and how to produce child pornography. Increasingly, some Internet-based child pornography networks operate fee-based websites. These websites generate profit for the website operators while collectors of child pornography continue to increase the size of their collections.

Child prostitution across the country is most frequently reported in larger urban areas, particularly in Toronto and Vancouver; however, its presence has also been reported in other areas of British Columbia, as well as Saskatchewan, Quebec and Nova Scotia. Child prostitution has been linked to some street gangs. Children involved in prostitution range in age from 10 to 18, while the average age is often 14, the age of consent in Canada.

Outlook

- Technological advances will continue to increase the capacity of individuals and child pornography networks to exchange images, enlarge their collections and assist in insulation from law enforcement. As a result, the number of SEOC offences reported to law enforcement will increase, stressing enforcement resources.
- Child prostitution in Canada will remain limited and largely confined to major urban centres. This distinct component of the sex trade industry is likely to continue to have links to some street gangs.

Street Gangs

Highlights

- Street gangs are characterized by a willingness to use violence both in the furtherance of their criminal activities and in their interactions within their own gang, with rival gang members, law enforcement and the public.
- Some street gangs are involved in various criminal activities that rival or even surpass similar criminal activities of more established organized crime groups in terms of sophistication, scope and magnitude.

National Overview

“Street gang” is a term that law enforcement traditionally used to categorize crime groups that consisted predominantly of young males from similar ethnic backgrounds that were usually engaged in a low level of criminality, often based within a specific geographical area. In many instances, this profile continues to have some validity; however, increasingly there are street gangs that have evolved and now operate beyond their initial communities. Some have developed higher levels of organizational and criminal sophistication, engaging in criminality that may equal or even surpass the levels of more established organized crime groups. This developing sophistication is aided by an increasingly older membership within some street gangs, many of whom are often in their twenties and thirties. As well, there is a greater fluidity and diversity within some street gangs with their membership increasingly including individuals from various ethnic backgrounds.

Street gangs typically begin, and in some instances remain, at a low level of criminality with involvement in crimes such as assaults and break-and-enters



that are usually restricted to specific geographical areas. As street gangs evolve, they increasingly become involved in additional criminal activities, such as extortion, prostitution, drug trafficking and credit card fraud, that have varying levels of sophistication and magnitude. Many street gangs are linked to more established organized crime groups through either independent criminal associations or more closely in a criminal support function. However, as some street gangs continue to expand the scope and magnitude of their criminal activities there is an increased potential for competition with these established organized crime groups. This situation could be conducive to inter-crime group conflict that could further affect public safety. In addition, some street gangs are already in positions of strength that could enable them to take advantage of any law enforcement disruption of the established crime groups, such as OMGs, and expand into the resulting void within a criminal marketplace.

A defining characteristic of most street gangs, whether low level or more sophisticated, is a high propensity for violence. Intimidation, assaults or homicides are an integral component of their gang and personal interactions. This violence can be directly related to their illicit activities and turf protection but in some instances are random, spontaneous responses to perceived slurs against individuals or the gang. The violence between members of different street gangs often becomes part of a retaliatory cycle. This violence is a serious threat to public safety that can result in injuries to non-gang individuals and a general sense of insecurity in communities. In some instances, sporadic public displays of gang violence are deliberate attempts to intimidate communities and individuals to coerce compliance and/or silence. Illegal firearms, particularly handguns, are increasingly involved in gang-related violence.

Street gangs exist and are criminally active across Canada and are considered significant enforcement threats in all regions except the Atlantic provinces. Historically, street gangs have been predominantly active in major urban centres, particularly Vancouver, Toronto and Montreal. However, they are increasingly expanding into smaller urban areas.

In the western provinces, Aboriginal-based gangs constitute the bulk of street gang activity and are particularly criminally active in Calgary, Edmonton, Regina, Saskatoon and Winnipeg. Some of these Aboriginal-based street gangs have also been observed in more rural areas as well as on Aboriginal reserves. Their primary criminal activity is street-level drug trafficking with drugs obtained from other crime groups, such as Asian-based networks or the HELLS ANGELS. The often intense rivalries between various Aboriginal-based street gangs can occasionally erupt into violence.

There are numerous street gangs in Ontario that were initially formed from singular ethnic groups but are now increasingly multi-ethnic. In some instances, street gangs conduct criminal activities for other organized crime groups and serve to shield them from law enforcement. While the majority of street gangs are independent groups involved in their own criminal activities, there may be some criminal linkages with other street gangs or established crime groups. They are situated in most urban centres with the greater Toronto area having the largest concentration of gangs. In this area, the gangs have been involved in violent rivalries with numerous assaults and homicides.

In Quebec, the main street gangs are Caribbean-based though other ethnic-based groups are increasingly emerging. Two major Quebec-based street gangs have expanded and now are criminally active in parts of Ontario. These street gangs are in a position to exploit weaknesses within the established crime groups in the province, such as the HELLS ANGELS.

Law enforcement across Canada is cognizant of the overall threat of street gangs to public safety through their criminal activities and propensity for violence. Through dedicated units and targeted enforcement operations, law enforcement will continue to combat street gang crime and violence to enhance public safety.

Outlook

- A high propensity for violence will continue to be a significant component of most street gangs in Canada, particularly in their interactions with rival gangs.
- Some street gangs will evolve and enhance their capability to engage in more sophisticated forms of criminal activity with wider scope and greater magnitude. As a result, conflicts that threaten public safety could emerge between street gangs and more established organized crime groups.



Technology and Crime

Highlights

- Technology facilitates individual criminals and organized crime groups in their involvement in both traditional and new crimes, such as identity theft, by allowing criminals to target multiple victims and commit a crime before the victim or law enforcement is aware the crime has taken place.
- Emerging technologies provide new opportunities to enhance the organizational capacity, sophistication and scope of criminal organizations.

National Overview

Technology facilitates individual criminals or organized crime groups in their involvement in both traditional and new crimes. As a result, the scope and potential impact of their criminal activities are increased. Technology facilitates criminals in targeting thousands of victims in multiple jurisdictions per crime, such as payment card fraud (debit/credit cards) or identity theft, before a victim or law enforcement is aware the crimes have taken place. Financial institutions and businesses are either reluctant to report such crimes and consider the losses the cost of doing business, or legitimately classify the crimes as credit losses, thus subsuming the frauds within those figures. Consequently, it is difficult to obtain accurate and consistent statistics concerning the extent of technologically-assisted crime and the degree of loss.

Identity theft is one of the fastest growing crimes in North America. Identity theft, involving the unauthorized collection and fraudulent use of another individual's personal information, has become a serious concern to Canadians. Criminals are increasingly using technology to steal identities as well as illicitly obtain funds. Personal information is increasingly available through the Internet and is easier to access. Identity theft is also a medium through which other serious crimes are facilitated. Criminals will not only use stolen personal information to drain individuals' bank accounts, but also to obtain or create fraudulent documentation to assume false identities to obtain loans or evade law enforcement. Phonebusters, a fraud reporting agency administered by the Ontario Provincial Police in cooperation with the RCMP, indicates that losses attributed to identity theft accounted for approximately \$21 million in 2003, almost double the estimated losses of 2002. Identity theft not only results in financial losses, but also leads to damage to credit records. In addition, even if financial institutions do not hold the victim liable

for the fraudulent debts, many victims are inconvenienced by the lengthy attempts to recover their personal financial information and address these debts.

According to Phonebusters, payment card fraud is a major component of identity theft, comprising 42 per cent of reported incidents. Canadians use debit cards in large numbers, with over 2.5 billion debit transactions in 2003. The high rate of payment card (debit/credit) use increases criminal opportunities for organized crime. For example, in some cases the placement of white-label ATMs by organized crime groups in public areas, such as bars and convenience stores, presents a high potential for fraud as these machines can be illegally modified to copy payment card information as the card is swiped.

The Internet is also often used as a tool to facilitate crime. On-line banks and casinos can enable criminals to launder their illicit proceeds via on-line bank accounts. On-line businesses can also be used to conceal and/or launder proceeds while making criminal detection and investigations more complex, as multiple jurisdictions and countries are involved.

Criminals posing as legitimate persons or representatives of an institution can send unsolicited e-mails and ask unsuspecting victims to provide personal financial information, such as credit card numbers. This activity, commonly referred to as "phishing," can result in substantial financial losses and stress to victims. The fraud is often perpetuated using offshore servers outside Canadian jurisdictions, thus making criminal investigations more complex, costly and time consuming.

Emerging technology offers increased opportunities to enhance the organizational capacity, level of sophistication and sphere of operations of criminal organizations. Voice-over-Internet Protocol (VoIP), enabling telephone conversations over the Internet, will become increasingly available. This service offers a high level of anonymity due to its advanced encryption. Secure wireless technologies, such as personal digital assistants (PDAs) and "mike" telephones, are increasingly used because of these encryption capacities. Other varieties of these devices, decoded only by a similar handset or a computer running its software, will attract organized criminals seeking secure conversations. Chat rooms, e-mail and cellular text messages can also be used to remotely arrange meetings and illicit drug deliveries. In addition, the modifications and adaptation of common and innocuous electronic devices, such as video game consoles and hotel cardkeys, also enable criminals to store encrypted data such as child pornography, stolen credit card and money laundering information.

To remain up-to-date with current technology and expertise, law enforcement in Canada is taking measures to increase resources and training within the various technological crime units across the country. Integrated technological crime units have been created among a number of major law enforcement agencies. Law enforcement continues to develop key partnerships with government and private sectors to establish best practices and strategies in order to reduce the risk to the public by the criminal use of technology.

Outlook

- Law enforcement will continue to encounter increasingly sophisticated crimes facilitated by technology and be required to remain current with emerging technologies.
- As a result of the continuing evolution of technology, private and governmental organizations will continue to work together in order to establish strategies and best practices to combat the risk posed by technologically facilitated crimes such as identity theft and payment card fraud.

Selected Socio-economic Effects of Organized Crime in Canada

Canadians across the country continue to be negatively affected by the often subtle yet complex effects of organized crime's activities. Organized crime has serious and multi-faceted socio-economic repercussions that are present in every region of the country. Lost tax revenue at all levels of government and economic losses to private enterprise results in lost jobs and investment opportunities, as well as higher taxes, prices and insurance premiums. Taxpayers pay for increased law enforcement, judicial and corrections costs, as well as additional costs to health and social services to address such issues as illicit drug and gambling addictions.

CISC has selected key significant issues to highlight how organized crime directly and indirectly affects Canadians' public safety, economic well-being and sense of community. These issues include: violence, illicit drugs, marihuana grow operations, methamphetamine, contraband, counterfeit goods, human smuggling/trafficking, insurance costs and money laundering.

Violence

Violence or the threat of violence from organized crime groups is a significant threat to public safety. Organized crime groups often use violence to promote and protect their criminal interests, territory and activities. In many instances, this violence is directed toward those within the criminal milieu, but innocent victims are sometimes also injured or killed. This violence can also be intended to intimidate and/or coerce individuals and communities, creating a general sense of insecurity in communities. Increasingly, individuals associated to organized crime are using illegally acquired firearms, particularly automatic handguns, as instruments of this violence.

Illicit drugs

Organized illicit drug activities have a variety of significant effects on individuals and Canadian society. Illicit drug activities fuel violence unlike any other criminal activity. Illicit drugs can involve violence between traffickers over control of territory, from individuals seeking money for drugs and from individuals under the influence of illicit drugs. There are socio-economic costs associated with the illicit drug trade such as property crimes, assaults and homicides. There are also a number of adverse health effects from illicit drug use including the spread of HIV/AIDS and other infectious diseases, drug addiction and prenatal developmental problems. The illegal dumping of toxic by-products from the manufacture of illicit drugs, such as



methamphetamine, can result in environmental damage and public health risks.

Illicit drugs, traveling to and through Canada, affect Canada and, in turn, affect organized crime in other countries. The consumer demand for illicit drugs in Canada fuels organized crime activities in source and transit countries, contributing to the corruption and intimidation of government and law enforcement agencies in those foreign countries. This form of corruption obstructs the development of strong governmental and legal institutions essential to prosperity, liberty and international stability. In Canada, though instances have been limited in the past, illicit drug activity can also potentially contribute to the corruption of public and private sector officials and professionals.

Marihuana grow operations

There continue to be a significant number of marihuana grow operations nationally that are controlled by organized crime groups like the outlaw motorcycle gangs or Asian-based networks. As well, many smaller independent organized crime groups, are involved in the cultivation and/or distribution of marihuana. As the market for marihuana domestically and in the U.S. is large enough to be supplied by multiple organized crime groups, no group appears to dominate. Marihuana cultivation is encountered in all types of urban and rural settings but is increasingly present in up-scale residential neighbourhoods. Illicit proceeds from marihuana cultivation are often reinvested in other criminal activities. Some lower-level organized crime groups have been able to expand and diversify their criminal activities using capital from their marihuana cultivation.

Marihuana grow operations pose a number of serious health and safety risks to the occupants of the residences in which the cultivation occurs and to the surrounding community. A significant number of residential operations often use unsafe electrical diversions or bypasses to circumvent utility meters in order to steal electricity. Stolen electricity significantly strains power supplies and increases the prices for legitimate residences and businesses. Marihuana grow operations also often contain numerous fire hazards, including exposed live wires and volatile chemicals. Vapours from a variety of chemicals used to expedite plant growth can also cause respiratory health problems. High levels of moulds and pollens can cause asthma, respiratory conditions and allergies in the individuals who live or work in the damaged residences, as well as to law enforcement, rescue workers and municipal officials. Competition between crime groups that engage in marihuana cultivation and the threat of crop theft continue to result in home invasions, assaults, homicides and booby trap-related injuries.



Methamphetamine

The amount of methamphetamine manufactured and trafficked in Canada is increasing. Organized crime groups are involved in the illegal importation of precursor chemicals needed to manufacture methamphetamine, financing and manufacture of the drug in clandestine laboratories, as well as its distribution. Depending on future demand for methamphetamine within Canada and in the U.S. there may be a conflict between criminal groups involved in manufacturing and/or trafficking methamphetamine.

Methamphetamine is highly addictive and physically destructive to users. The drug can make users very aggressive, often resulting in violent behaviour. Although easily manufactured, the chemicals during production are highly toxic, corrosive and combustible. The drug can be produced in small amounts in kitchens or garages and large amounts in self-contained “laboratories.” Clandestine laboratory fires and explosions have occurred, causing serious public safety concerns. Chemical vapours from the manufacturing process can cause injury and death, as well as permeate the walls and carpets of buildings, making them uninhabitable. Additionally, discarded toxic chemicals can cause environmental damage and pose a threat to public health and safety. As a result, residences or businesses located near either the manufacturing or dumping sites can decline in property value.

Contraband

A contraband market that illegally distributes a legal commodity, such as tobacco, often exists due to some degree of societal acceptance. However, these markets can significantly affect society, particularly through the loss of potential tax revenue that could be directed toward health and social programs. The business community is also affected as businesses that operate honestly are at a serious disadvantage in relation to those who sell contraband products at significantly lower prices. There are potentially major health concerns over the content and quality of contraband products, such as illicit alcohol, as serious health problems or death could result from its consumption. Illicit markets often target vulnerable groups, such as youth, as consumers for these products. Organized contraband activities can significantly affect communities, particularly smaller communities. For example, the involvement of criminal groups in contraband smuggling on Aboriginal reserves in southern Ontario and Quebec creates tensions within these communities and between governments, Aboriginal communities and surrounding non-Aboriginal communities. Organized criminals can exploit the tight kinship networks in small communities, often dividing families that both benefit from and are adversely affected by the criminality.



Counterfeit goods

Counterfeit goods, many from southeast Asia, have a number of significant economic and social effects in Canada. The products, for example movies and music recordings, directly undermine government tax revenue and legitimate industries. Poorly made or defective counterfeits may also cause consumers to blame the manufacturers of genuine products. Some counterfeit products can cause serious health and safety risks as the products have incorrect or non-existent legal labeling or regulations. The United States Food and Drug Administration and the World Health Organization have recently observed an increase in sophisticated pharmaceutical counterfeiting investigations with an estimated 10 per cent of pharmaceuticals globally being counterfeit. Internationally, organized crime is involved in producing and/or trafficking drug products that may closely resemble legitimate drugs yet may contain inactive ingredients, incorrect ingredients, improper dosages, sub-potent or super-potent ingredients or be contaminated. Currently, there is little evidence regarding organized crime distributing counterfeit pharmaceuticals in Canada.

Organized crime in Canada, in particular Asian-based organized crime, will continue to be extensively involved in importing, producing and distributing a wide variety of counterfeit goods to and within Canada, including computer software, music/video recordings, brand-name clothing and Canadian-brand tobacco products. Advancements in technology mean that counterfeits will continue to be easier to produce, difficult to detect and thus easier to mix into legitimate trade channels with genuine goods, increasing the likelihood of consumers buying counterfeit goods.

Human smuggling/trafficking

Organized crime groups are involved in transporting smuggled and trafficked individuals to Canada with some individuals destined for the U.S. Persons trafficked into prostitution, and to a lesser extent into forced labor, in Canada come primarily from southeast Asia and eastern Europe. Asian-based organized crime groups in particular are involved in human smuggling/trafficking in Canada.

Trafficked women are often forced into the sex trade to work off debts or fees (e.g., for being smuggled and for housing) typically in the tens of thousands of dollars. The victims suffer physical and mental abuse including sexual assault, torture, starvation, imprisonment and death threats. There can also be significant health and social effects on Canadian society as victims often acquire, and can transmit, sexually transmitted and infectious diseases while working in the sex trade. Organized crime has been known to produce

counterfeit work documents for smuggled/trafficked victims. Once individuals pay their smuggling/trafficking fees, many disappear into major urban communities. As some individuals smuggled/trafficked into Canada may have serious criminal records there may be a threat to public safety.

Insurance costs and fraud

Most vehicles are stolen for thrill-seeking, transportation or to commit another crime. They are generally abandoned once they have served their purpose. Vehicles stolen by organized crime groups, like outlaw motorcycle gangs and Eastern European-based organized crime groups, tend not to be recovered as they are often exported overseas, transported for interprovincial resale or stripped for the sale of parts. Organized crime has been involved in stealing luxury vehicles, changing the serial numbers and selling the vehicles in Canada, Europe and southeast Asia.

According to a 2004 Statistics Canada report, about 20 per cent of vehicle thefts in 2002 were believed to have been committed by organized crime groups. The Insurance Bureau of Canada states that insurance fraud costs Canadians more than a billion dollars annually through insurance premiums, with \$600 million annually in vehicle theft-related insurance costs. Additionally, there are significant related costs for law enforcement, health-care, judicial and corrections expenses.

Money laundering

Money laundering is the process of transforming the illicit profits from criminal activities to disguise their origin and make them appear as if they were obtained through legitimate means. Criminals launder illicit proceeds in an attempt to avoid confiscation and forfeiture of their profits by law enforcement, conceal criminal activities and reinvest the funds in further criminal activities or legitimate ventures. Laundering and reinvestment of criminal proceeds in legitimate companies can undermine the legitimate economy, giving illegitimate businesses unfair advantages.

As money laundering typically involves the use of multiple financial services — deposit-taking institutions, currency exchanges, securities traders, insurance companies and “shell” corporations — specialized expertise is often necessary. As a result, individuals in key professions, such as lawyers, accountants and investment brokers, may knowingly or unknowingly assist the laundering process. When organized criminals manipulate financial systems and institutions and corrupt key public and private sector officials to facilitate money laundering, the integrity of the financial institutions could be compromised resulting in the loss of investor and public confidence.



Conclusions

CISC is cognizant that not all organized crime groups or serious crime issues that affect Canada are discussed within this *Annual Report*. There are many crime groups that do not readily fit within the broad-based cultural-geographic groupings currently used by CISC as a basic intelligence framework. In some instances, crime groups outside this framework may engage in criminal activities that are equal to or surpass the scope and magnitude of organized crime groups within CISC's current national intelligence priorities and monitored issues. In future *Annual Reports on Organized Crime*, CISC will assess the level of criminality and threat posed by such groups. As well, in assessing organized crime groups, broad-based cultural-geographic groupings used by CISC are problematic as the membership of some crime groups increasingly consists, either partially or completely, of second- or third-generation Canadians with diminishing linkages to their historical languages, homelands and cultures. In addition, the composition of some crime groups is becoming more fluid and diverse, consisting of members with various ethnicities.

While conflicts continue between some organized crime groups over the control of criminal markets, increasingly criminal organizations engage in cooperative ventures to enhance their mutual criminal profits. In many cases, this cooperation may not be a permanent alliance but a temporary relationship centred on a single criminal venture based upon mutual need. Once completed, this relationship may dissolve though it could provide a foundation of trust for future joint criminal ventures.

Organized crime has a symbiotic relationship with many aspects of the legitimate business and social community that enables it to conduct criminal activities and launder criminal profits. In some instances, the legitimate business community is exploited, both knowingly and unknowingly, to facilitate the movement and distribution of organized crime's illicit products. Most established organized crime members do not flaunt their criminality or criminal associations. Many attempt to integrate themselves within their economic, social and cultural communities to establish personas of legitimacy, normality and respectability and to insulate themselves from law enforcement attention.

Organized crime groups and their criminal activities have diverse and varying negative impacts, affecting individual Canadians and communities nationally with various societal, economic, health and safety repercussions. Some of these effects are visible, such as street-level drug trafficking, the presence of street gang members, acts of violence, or the dismantling of marijuana grow

operations in quiet suburbs. Other effects, while often less visible to average Canadians, may significantly affect their quality of life as organized criminal activity can result in increased costs for goods and services. As well, organized crime can undermine the Canadian economy, threaten social stability and be a corrupting influence on public institutions and the effectiveness of their operations. The Canadian law enforcement community will continue in its coordinated efforts to combat organized and serious crime in Canada and to reduce its negative impacts on individuals and communities throughout the country.



Evaluation Form

CISC 2004 Annual Report on Organized Crime in Canada



Criminal Intelligence Service Canada would like to receive feedback on its *Annual Report on Organized Crime in Canada* to improve the quality of the report and its value to Canadian society. CISC invites you to complete and return this evaluation form. Your comments and suggestions will assist CISC in developing better reports.

How informative is the *Annual Report on Organized Crime* for each of the following criteria?

National overview	No use	1	2	3	4	5	Most useful
Organized crime groups	No use	1	2	3	4	5	Most useful
Scope of criminal activities	No use	1	2	3	4	5	Most useful
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Please circle the number which best describes your judgement about the content of the report.

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How does the information in this report impact on your views of organized crime?

How can CISC improve this *Annual Report on Organized Crime*?

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