



2003

Annual Report

Organized Crime in Canada

Canada



Criminal Intelligence Service Canada

2003 Annual Report on Organized Crime in Canada

**Research for this report concluded on 2003-05-16
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

2003 Annual Report on Organized Crime in Canada

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

Current, accurate information is crucial to effective law enforcement. It enables valuable resources to be targeted effectively against current challenges and emerging trends. It ensures law enforcement can disrupt and dismantle organized crime and other serious threats at the earliest stages possible. It allows for a clear picture of the complex networks, relationships and criminal activities relating to organized crime groups in Canada.

Strategic co-ordination, commitment to intelligence and timely communication are all integral to our collective fight against organized crime. Integrated approaches are essential to take full advantage of the available resources of the entire law enforcement community and its partners. CISC's greatest strength is in the wide scope of its partners — law enforcement, private sector, academic and public organizations — and its ability to facilitate the coordination and dissemination of the intelligence developed by this community.

As a national leader in combating organized crime, CISC recognizes the importance of educating and informing the public regarding the level and scope of illicit activities of criminal organizations in Canada. CISC acknowledges the public as an important and valued partner in the effort to detect and deter organized crime. Law enforcement must also be accountable to the public in its efforts. Part of this accountability is reflected in reports like the *Annual Report on Organized Crime*.

The *CISC 2003 Annual Report on Organized Crime* emphasizes the effectiveness of multi-agency and multi-jurisdictional approaches to combating organized crime. It is an excellent example of the value of sharing information with relevant partners at the municipal, provincial, national and international levels, and it reinforces CISC's commitment to communication with and accountability to the Canadian public.

G. Zaccardelli





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

Criminal Intelligence Service Canada leads the way in combating organized and serious crime in Canada through the use of an integrated and proactive approach in producing and sharing criminal intelligence. To assist this ongoing effort, CISC promotes and encourages the development of meaningful partnerships between members of the Canadian law enforcement community. These partnerships allow law enforcement to gather and share information and develop strategies to detect, reduce and prevent organized and serious crime in Canada. With approximately 380 member agencies, CISC is the Canadian network with the contacts to gather and disseminate criminal intelligence at the local, regional and national levels.

CISC recognizes that law enforcement can not operate in isolation but must also work with the business and academic communities and the general public in order to achieve its goals. It is this combined, cooperative effort that is the most effective weapon we have against organized crime.

In Canada, organized criminal activity has increasingly international connections. Large and small communities across the country continue to be negatively affected by the subtle effects of organized criminal activities. As well, this criminal activity has serious and complex social and economic ramifications that impacts on both regional and national levels.

As demonstrated within this report, CISC embraces the integrated intelligence-sharing concept. This concept enables the law enforcement community to benefit from strategic, intelligence-led decision making. The major intent of the *CISC 2003 Annual Report on Organized Crime in Canada* is to provide the public with current, relevant information on key organized crime groups and issues across the country.

It is hoped that the threat posed by organized crime, as demonstrated in this report, encourages the continuing cooperation between law enforcement and the public in our mutual effort to combat organized crime.

CISC sincerely thanks the Provincial Bureaux and all CISC partner agencies for their valuable contributions to this report.

A handwritten signature in cursive script, appearing to read "S. Conlin". The signature is written in black ink on a white background.



Criminal Intelligence Service Canada

Established in 1970, Criminal Intelligence Service Canada (CISC) unites the criminal intelligence units of Canadian law enforcement agencies by providing leadership and expertise to the CISC member agencies in their integrated efforts to detect, reduce and prevent organized and serious crime affecting Canada. CISC is comprised of an Ottawa-based Central Bureau that liaises with and collects information and intelligence from nine Provincial Bureaux. The Provincial Bureaux 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 Newfoundland respectively.

Locations of the Central and Provincial Bureaux



CISC is comprised of two levels of membership. Level I membership in CISC is restricted to the following that have a permanent criminal intelligence unit: federal, provincial, regional or municipal police services and agencies that are responsible for the enforcement of federal and provincial statutes. Level I members currently include the Royal Canadian Mounted Police, the Sûreté du Québec, the Ontario Provincial Police, the Royal Newfoundland Constabulary and more



than 120 regional and municipal police departments. Canada Customs and Revenue Agency and the Department of National Defence, Canadian Forces National Investigation Service are also Level I members. 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 intelligence and raw data for further analysis and dissemination. The criminal intelligence shared is related to organized and serious crime issues affecting Canada.

The Central Bureau of CISC takes its operational direction from an Executive Committee, comprised of over 20 senior executives from various Level I member agencies and chaired by the Commissioner of the RCMP. This Committee meets twice annually to review the operation of CISC and to decide on goals, national intelligence priorities and monitored issues. The CISC Central Bureau monitors the progress of these priorities and issues in cooperation with the nine Provincial Bureaux. 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: Barrie Police Service, Canada Customs and Revenue Agency, Correctional Services Canada, Department of National Defence, the 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 and its National Police Services.

CISC Priorities

CISC monitors and reports on national intelligence priorities: Aboriginal-based, Asian-based, Eastern European-based and Traditional (Italian-based) organized crime groups, organized crime at marine ports, and outlaw motorcycle gangs. CISC also has intelligence projects in place to monitor serious crime issues: contraband tobacco and alcohol, organized crime and the diamond industry, the illicit movement of firearms, the sexual exploitation of children, street gangs and technology and crime.

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. However, CISC is mandated to



monitor and exchange intelligence on its national intelligence priorities and monitored issues. These priorities and monitored issues are reviewed and determined annually by the CISC Executive Committee.

ACIIS

The Central Bureau is host to an on-line computer data bank known as the Automated Criminal Intelligence Information System, or ACIIS. This data bank is the national intelligence repository for the use of all CISC members in Canada. Access in the provinces is coordinated by the Provincial Bureaux. All member agencies cooperate with each other in the collection, collation, evaluation, analysis and dissemination of criminal intelligence by contributing to ACIIS.

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 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. Law enforcement needs people to recognize the effects of organized crime on their communities.

The report covers information from the previous year up to May 16, 2003.

This information 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.

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





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Executive Summary

This report presents to the Canadian public a comprehensive overview of mandated organized crime groups and their activities along with information on specifically selected serious crime issues. The findings of this report are based upon information, intelligence and investigative reports from Canadian and international law enforcement agencies. In particular, Criminal Intelligence Service Canada (CISC) relies upon intelligence from its approximately 380 member partners across Canada.

CISC currently monitors the following five broad organized crime groups: Aboriginal-based, Asian-based, Eastern European-based, outlaw motorcycle gangs, and Traditional (Italian-based). Each of these broad crime groups actually consist of numerous individual criminal organizations that operate independently as well as interdependently in criminal ventures. In some instances, individual criminal organizations may have a historical stable working relationship with other crime groups. In addition, while conflicts do develop between crime groups over illicit market share, increasingly temporary alliances are created between crime groups to pool resources necessary for the success of specific criminal ventures.

Aboriginal-based gangs are present in a number of urban centres across Canada, particularly in Edmonton, Regina and Winnipeg, with a smaller presence in British Columbia, Ontario and Quebec. There is little presence of Aboriginal-based gangs in Atlantic Canada or the three northern territories. Aboriginal-based gangs are generally involved in street-level trafficking of marijuana, cocaine, crack cocaine and methamphetamine as well as other criminal activities. Aboriginal-based gangs support other organized crime groups, particularly the HELLS ANGELS and Asian-based organized crime groups, as well as associating with other Aboriginal-based gangs.

Asian-based organized crime (AOC) in Canada is highly mobile, culturally and linguistically diverse and largely composed of loosely-knit networks. AOC groups are entrenched in British Columbia, Alberta and Ontario, and are increasingly active in Saskatchewan, Manitoba, Quebec and Atlantic Canada. AOC groups continue to associate with other organized crime groups nationally and internationally, particularly in the United States and Southeast Asia. Asian-based criminal groups are entrepreneurial and are often involved in multiple criminal activities simultaneously. AOC groups remain involved in illicit drug importation, production and trafficking, credit/payment card fraud, illegal gaming, casino loansharking, prostitution and operating massage parlours, money laundering and migrant smuggling.

While Southern Ontario remains the traditional centre of Eastern European-based organized crime (EEOC) in Canada, its presence has been reported in most other provinces. EEOC groups participate in a broad spectrum of criminal activities but



their particular hallmark is the ability to plan and carry out sophisticated frauds. Many EEOC groups are adept at disguising and insulating their illegitimate activities through legitimate business ventures. These legitimate enterprises could provide direct access to market sectors they consider to be vulnerable to criminal exploitation.

The most powerful Traditional (Italian-based) organized crime (TOC) groups continue to be based in Ontario and Quebec; however, TOC groups either directly or indirectly exploit criminal activities across the country. TOC continue to increase their wealth and influence through criminal activities, such as illicit drug importation/distribution, money laundering, and illegal gaming/bookmaking and their subsequent investment of illicit profits in legitimate businesses. Their highly stable nature, involvement in numerous criminal enterprises, investment in legitimate business with profits from crime, and their adaptability to enter into joint ventures and exploit new opportunities with other organized crime groups help to mask the level of threat they pose to Canada.

The HELLS ANGELS, OUTLAWS and BANDIDOS and are the three most influential outlaw motorcycle gangs (OMGs) in Canada and each have attracted significant police attention. The HELLS ANGELS is the most powerful with 34 chapters across the country, with a further 228 chapters worldwide and an international membership exceeding 3000. Successful law enforcement action within the last year has reduced the degree of criminal influence posed by OMGs in Central and Atlantic Canada. However, OMGs remain a serious criminal threat in Canada and continue to be involved in an array of criminal activities such as murder, drug trafficking, prostitution, illegal gambling, extortion, intimidation, fraud and theft.

All major organized crime groups have links to Canada's marine ports, thus making the issue of organized crime at marine ports CISC's sixth national intelligence priority. The most significant criminal influences are from outlaw motorcycle gangs, Traditional (Italian-based) crime groups and local domestic crime groups. Organized crime groups utilize marine ports to facilitate the movement of contraband into Canada including illicit drugs, tobacco, alcohol, firearms and illegal migrants. As well, stolen vehicles are illegally exported in containers to consumers in Asia and Eastern Europe. The criminal presence within a marine port is often not apparent to the majority of port employees. It is not necessarily a pervasive presence and may be limited to a small number of individuals within key positions that are influential in the movement of commercial cargo off a vessel and within the port environment.

Each year, CISC monitors selected serious crime issues to evaluate their criminal threat to law enforcement in Canada. In this report, these selected issues include: contraband tobacco and alcohol, organized crime and the diamond industry, the illicit movement of firearms, technology and crime, the sexual exploitation of children and street gangs.

Over the last twenty years, tobacco and alcohol products have been subject to various levels of criminal exploitation. In some cases it is to supply a product not readily available in Canada, but primarily the illicit markets exist to avoid high levels of federal and provincial taxation. Currently, contraband tobacco and alcohol activity continues to occur across Canada to varying degrees.

Law enforcement is continuing to proactively monitor the diamond industry to safeguard against infiltration by organized crime. International law enforcement experience indicates that diamonds are an attractive commodity to organized crime because they are an easily portable and convertible form of wealth. Once diamonds are smuggled, they can be a means to launder money. Criminal activities identified by the international law enforcement community that are associated to the diamond industry include manipulating diamond valuations to distort the amount of taxes to be paid, trading illegal rough diamonds or embedding illicit diamonds into legitimate diamond markets.

All organized crime groups across Canada are involved in some way in the illicit movement and acquisition of firearms. While organized crime members may not be themselves directly involved in the initial acquisition of an illicit firearm, they are connected to that acquisition either as an instigator, a planner, a financier or most importantly, a customer. The illicit firearms market is primarily supplied by two major sources: firearms stolen in Canada from either a business or a private residence; or firearms smuggled from the United States.

Technologies that provide benefits to society also provide opportunities for organized crime. Emerging technology offers new potential mediums to commit old crimes such as money laundering and fraud. As technologies for conducting on-line commercial transactions evolve, so do opportunities for fraud. Identity theft and payment card fraud are among the most frequently occurring types of fraud in Canada. Asian-based and Eastern European-based organized crime groups are extensively involved in elaborate, large-scale payment card fraud schemes as well as other fraud-related criminal activity throughout the country.

Technological advances, such as the Internet, have increased the opportunities of some individuals in the sexual exploitation of children. The Internet has facilitated the formation of international groups of child pornography collectors that share child pornography images. The Internet has also facilitated the on-line enticement, or luring, of children enabling an abuser to seek out victims through chat rooms and other electronic fora.

Historically street gangs were concentrated in Vancouver, Toronto and Montreal but increasingly they are also present in smaller cities, rural areas and on Aboriginal reserves. Many street gangs are unstructured groups and are involved in low-level criminal activities such as assaults, shoplifting and bullying. However, a number of street gangs are becoming more structured and involved in higher levels of criminality such as drug trafficking and running prostitution networks. The consistent and pervasive use of violence appears as a common characteristic with all street gangs.

In conclusion, Criminal Intelligence Service Canada is committed to providing the Canadian public and the law enforcement community with a comprehensive and strategic overview of organized crime and serious crime issues affecting Canada. CISC will continue to enhance partnerships within the Canadian law enforcement community to encourage the sharing of information and intelligence. It is through this cooperative and interactive strategic approach that the Canadian law enforcement community can best comprehend and combat organized crime threats affecting Canada.

CISC National Intelligence Priorities

Aboriginal-based Organized Crime (ABOC)

Highlights

- Aboriginal-based gangs support other organized crime groups, particularly the HELLS ANGELS and Asian-based organized crime groups, as well as associating with other Aboriginal-based gangs.
- Aboriginal-based gangs are generally involved in street-level trafficking of marihuana, cocaine, crack cocaine and methamphetamine as well as other criminal activities.

National Overview

Aboriginal-based gangs are present in a number of urban centres across Canada, particularly in Edmonton, Regina and Winnipeg, with a smaller presence in British Columbia, Ontario and Quebec. There is little presence of Aboriginal-based gangs in Atlantic Canada or the three northern territories. The gangs are also on and around many Aboriginal reserves nationally; even on smaller, more remote reserves. Gang members will continue to move fluidly on and off reserves, involved in criminal activities and recruitment of new gang members.

The primary gangs nationally are the INDIAN POSSE, REDD ALERT, WARRIORS and NATIVE SYNDICATE, with a number of other smaller gangs that form and reform frequently. Aboriginal-based gangs are assessed by law enforcement as a low-level organized criminal threat. They are generally involved in street-level trafficking of marihuana, cocaine, crack cocaine and methamphetamine.

The gangs are also involved in prostitution, break-and-enters, robberies, assaults, intimidation, tobacco fraud, home invasions, vehicle thefts, weapons offences, illegal gaming, and debt collection and enforcement for other organized crime groups, such as the HELLS ANGELS.

In Alberta, Aboriginal-based gangs that once existed primarily in prisons for protection purposes have now recognized the financial benefit of trafficking hard drugs (e.g. cocaine) on reserves. Many of the gangs have ready access to weapons, including firearms, that has resulted in a number of incidents of violence.

In a number of federal and provincial correctional institutions across Canada, Aboriginal-based gangs are involved in drug trafficking, intimidation and assaults. Aboriginal-based gangs exert influence within the correctional institutions, directing the smuggling of drugs into correctional institutions and communicating with gang members outside the institutions.

Aboriginal-based gangs are associated, in various supportive or facilitating roles, to a number of other organized crime groups, particularly the HELLS ANGELS and Asian-based organized crime groups. There are also associations, both within provinces and interprovincially, between other Aboriginal-based gangs.

Outlook

- Aboriginal-based gang activity will increase nationally, particularly in cities, but also on reserves, even in smaller more remote areas.
- Gangs will continue recruitment of new members and associates, particularly among youth.

Asian-based Organized Crime (AOC)

Highlights

- Asian-based organized crime (AOC) in Canada is composed of entrepreneurial, loosely-knit networks of individuals who are highly mobile, culturally and linguistically diverse with numerous criminal associates nationally and internationally, particularly in the United States and Southeast Asia.
- Profits generated by Vietnamese-based criminal groups through the cultivation and trafficking of marihuana are often reinvested to finance other illicit activities.

National Overview

Asian-based organized crime (AOC) in Canada is highly mobile, culturally and linguistically diverse and largely composed of loosely-knit networks. AOC groups are entrenched in British Columbia, Alberta and Ontario, and are increasingly active in Saskatchewan, Manitoba, Quebec and Atlantic Canada. AOC groups continue to associate with other organized crime groups nationally and internationally, particularly in the United States and Southeast Asia.

Asian-based criminal groups are entrepreneurial and are often involved in multiple criminal activities simultaneously. AOC groups remain involved in illicit drug importation, production and trafficking, credit/payment card fraud, illegal gaming, casino loansharking, prostitution and operating massage parlours, money laundering and migrant smuggling. Asian-based criminal groups

remain extensively involved in the large-scale importation and distribution of Southeast Asian heroin and continue to expand their role in cocaine importation and trafficking. The groups remain active in the manufacturing and trafficking of illicit synthetic drugs such as ecstasy. AOC continue to launder criminal proceeds and invest laundered money into legitimate businesses and criminal activities.

Vietnamese-based groups continue to be extensively involved in the large-scale cultivation and trafficking of residentially-grown marihuana. These groups are entrenched in B.C. and Southern Ontario and are expanding marihuana cultivation in Alberta and Atlantic Canada. These operations are typically highly organized with extensive interprovincial networks and drug distribution networks to the U.S. In one operation, a Vietnamese-based group shipped marihuana grown in the B.C. Lower Mainland by rail to Ontario and then transported a portion of that marihuana in tractor trailers to the U.S. In a separate Ontario-based investigation, individuals associated to a Vietnamese-based crime group operated hydroponic equipment stores which, in addition to selling equipment, offered to set up hydroponic equipment for marihuana grow operations, supply plant clones, assist in harvesting the plants and find buyers for the crop. Vietnamese-based criminal groups will remain active in large-scale marihuana cultivation in order to take advantage of the high profits, low risk and relatively lenient sentences.

In the marihuana industry, competition between crime groups and the threat of crop theft continues to result in home invasions, burglaries, assaults, murders and booby-trap related injuries. Residential marihuana grow operations pose significant health hazards to the public: toxic moulds, numerous fire hazards, chemical vapours from a variety of pesticides and the risk of electrocution.

Some criminal profits generated through the cultivation and trafficking of marihuana by Vietnamese-based criminal groups are reinvested by the group to finance other illicit activities, such as the importation of ecstasy, liquid hashish and cocaine. In 2003, a Vietnamese-based criminal group was involved in storing large amounts of precursor drugs for the production of ecstasy in two Ottawa-area warehouses that could have produced an estimated 200 000 to 300 000 pills. In the production of ecstasy, toxic fumes from solvents and potentially violent chemical reactions pose a threat to the public.

Violence continues to be a regular occurrence within AOC groups. In Calgary and Edmonton, competition between AOC groups for control of the illicit drug trade has resulted in murders, numerous drive-by shootings and assaults.

Outlook

- AOC will continue to be a major criminal threat in Canada because of the wide scope and range of their criminal activities and their demonstrated expertise in establishing and maintaining criminal monopolies.
- Nationally, Vietnamese-based criminal groups will remain active in large-scale marihuana cultivation in order to take advantage of the high profits, low risk and relatively lenient sentences.

Eastern European-based Organized Crime (EEOC)

Highlights

- While Eastern European-based organized crime (EEOC) groups participate in most types of criminal activity, they are notable for their ability to plan and carry out sophisticated fraud schemes.
- EEOC groups based in Canada have extensive transnational connections to counterparts around the globe.

Overview

In Canada, EEOC consists of criminal groups and organizations comprised principally or entirely of individuals originating from Russia and other former Soviet Union (FSU) republics, the Czech Republic, Slovakia, Poland as well as the Balkan region including: Bulgaria, Romania, the former Yugoslavia (Serbia and Montenegro, Macedonia, Bosnia-Herzegovina, Slovenia and Croatia) and Albania.

While the traditional centre of EEOC in Canada remains Southern Ontario, several other provinces, particularly British Columbia, Alberta and Quebec, report varying levels of presence in the larger urban centres. Interprovincial associations between EEOC groups operating in Canada are reported.

EEOC groups based in Canada have extensive transnational connections to counterparts around the globe. Collaboration with other organized crime groups, namely outlaw motorcycle gangs or Traditional (Italian-based) organized crime groups occur, but primarily for short-term, mutually beneficial ventures.

Many EEOC groups are adept at disguising and insulating their illegitimate activities through legitimate business ventures. These legitimate enterprises could provide direct access to market sectors they consider to be vulnerable to criminal exploitation.

EEOC groups engage in a broad spectrum of criminal activities ranging from low-level criminality to more entrepreneurial crimes requiring specialized knowledge. The ability to plan and carry out sophisticated frauds is an EEOC hallmark. In Canada, their most frequently reported criminal activities include: financial and insurance frauds, vehicle theft and illegal export, prostitution, large-scale shoplifting, theft, commodities smuggling, and money laundering as well as illicit drug importation and trafficking.

EEOC has demonstrated, on a number of occasions, the ability to acquire the knowledge and tools required to manipulate technology in order to facilitate financial frauds. A British Columbia-based investigation uncovered an EEOC group responsible for an elaborate debit card fraud in 2002. This scheme, facilitated by exploiting privately-owned automated teller machines, netted over \$1.2 million before being disrupted in December 2002.

Large-scale vehicle theft, many destined for resale in foreign markets, is another favoured EEOC criminal venture. Vehicle theft reportedly costs Canadians close to \$1 billion per year. According to the Canadian Centre for Justice Statistics, 25 per cent of vehicles stolen in Canada in 2001 can be attributed to organized crime. While not all organized crime vehicle theft can be linked to EEOC groups, they play a significant role.

Outlook

- The capability of EEOC groups to orchestrate sophisticated fraud schemes and manipulate financial opportunities to their best advantage, coupled with their extensive legitimate and illegitimate international links, will allow them to continue their attempts to infiltrate lucrative market sectors and expand their criminal market share.
- EEOC groups will continue to appear in regions of Canada that have not previously experienced their presence.
- EEOC groups will continue to seek new opportunities and avenues to exploit technology to their criminal advantage.

Organized Crime at Marine Ports

Highlights

- Since 1998, CISC has consistently reported that criminal elements with links to organized crime are operating internally within a number of Canadian marine ports to facilitate the movement of contraband.

National Overview

A significant portion of contraband destined for Canadian illicit markets, particularly drugs, originates outside of Canada. In some cases, the contraband is surreptitiously smuggled into the country through border areas. In other instances, the contraband enters Canada through designated land, air, postal or marine entry points concealed within regular personal or commercial movement. Contraband moving through marine ports includes illicit drugs, tobacco, alcohol, firearms and illegal migrants. As well, stolen vehicles are illegally exported in containers to consumers in Asia and Eastern Europe. Criminality related to marine ports affects law enforcement across Canada as the ports are merely conduits for illicit products supplying consumers throughout the country.

There are many Canadian marine ports that receive some form of international shipping, whether container or general cargo, and all are vulnerable as potential contraband entry points and consequently criminal infiltration and exploitation. In sheer tonnage, the majority of all commercial non-U.S. origin trade enters Canada through a marine port. Containers are the predominant form of transportation as they are compact and quickly off-loaded from a vessel for subsequent movement by rail or truck to various destinations throughout Canada and the United States.

Marine ports often consist of a large physical environment, along with a significant workforce, that creates difficulties for effective security and enforcement regulation and control. These difficulties have assisted the development of criminal elements operating within marine ports to facilitate contraband movement, a situation that has been identified, particularly at the three major container ports of Halifax, Montreal and Vancouver. This criminal presence has developed over a period of decades and has enabled their entrenchment in various positions within the port workforce. While many major organized crime groups have some links to Canada's marine ports, the most significant criminal influences are linked to outlaw motorcycle gangs, Traditional (Italian-based) crime groups and local domestic crime groups.

The criminal presence within a marine port is often not apparent to the majority of port employees. It is not necessarily a pervasive presence and may be limited to small number of individuals within key positions that are influential in the

movement of commercial cargo off a vessel and within the port environment. In some instances, criminal elements within the port will subject legitimate employees to intimidation to either enlist their cooperation or ensure their silence.

During 2002, there were successful enforcement actions at the Ports of Halifax and Montreal that disrupted the illegal activities of a major criminal group operating within each port. However, despite these enforcement successes, there remains a criminal presence within each port that could potentially continue to facilitate the future movement of contraband, particularly illicit drugs, into Canada. For example, trafficking organizations continued to exploit the Port of Halifax as a conduit for illicit drugs as evident in two subsequent seizures by law enforcement: 11.5 tonnes of hashish in January 2003; and 172 kilograms of cocaine in March 2003.

There are a number of smaller marine ports along both the Atlantic and Pacific coastlines that receive international shipping and are potentially vulnerable to criminal exploitation. For example, the Port of Saint John in New Brunswick was the site of a seizure by law enforcement of 1433 kilograms of marihuana and 72 kilograms of hashish oil in July 2002. As well, there are ports along the St. Lawrence Seaway and within the Great Lakes system, while not capable of receiving the large container vessels, do have varying levels of port facilities and could receive some international shipping, either from overseas or the United States. In some instances, these ports are near major areas of organized crime presence and operation.

Canadian law enforcement has been aware of the threat posed by organized crime at marine ports, especially since the 1997 disbanding of the Ports Canada Police shifted port enforcement responsibilities entirely to local police agencies and private security companies. Since 1998, CISC has reported on the organized criminal threat at Canada's marine ports and, in March 2000, established a National Working Group to coordinate information and intelligence sharing pertaining to organized crime in marine ports. Heightened security awareness has led to additional concerns over the potential of a marine port as a conduit into North America of illegal individuals or material that could contribute to acts of terrorism. To enhance marine port security, a five year additional federal funding plan of \$172.5 million was announced in January 2003.

Outlook

- Enforcement successes against criminal elements at major marine ports could encourage future organized crime attempts to infiltrate and exploit opportunities at smaller ports.

Outlaw Motorcycle Gangs (OMGs)

Highlights:

- Outlaw motorcycle gangs (OMGs) remain a serious criminal threat in Canada. They are involved in an array of criminal activities such as murder, drug trafficking, prostitution, illegal gambling, extortion, intimidation, fraud and theft.
- Successful law enforcement action within the last two years has had an impact on the degree of criminal influence of OMGs in Central and Atlantic Canada.

National Overview

The HELLS ANGELS, OUTLAWS and BANDIDOS are the three most influential OMGs in Canada and have attracted significant police attention.

The HELLS ANGELS are the most powerful OMG with 34 chapters across the country. They are international in scope with over 228 chapters worldwide and an international membership exceeding 3000. The organizational structure of the HELLS ANGELS enhances cooperation between chapters to facilitate criminal activities such as the trafficking and distribution of illicit drugs. Within the last two years, successful law enforcement actions have reduced the degree of criminal influence exerted by the HELLS ANGELS in Central and Atlantic Canada. However, despite suffering from a degree of organizational difficulty in these regions, the HELLS ANGELS continue to attempt to operate and reconsolidate their sphere of influence.

The OUTLAWS are concentrated in Ontario with nine chapters. The BANDIDOS have no clubhouses in Canada, however maintain a small number of members and probationary members in Ontario. Both the BANDIDOS and the OUTLAWS have been successfully targeted by law enforcement within the last year and as a result are experiencing an organizational lull and are keeping a low profile.

OMGs in Canada are increasing their technological abilities. Computers and the Internet are being used to manage gang affairs and promote gang-related businesses and events on the web. These groups are also taking advantage of emerging technology such as wireless devices and encryption protocols to protect their information and communications. One member of the HELLS ANGELS is currently considered the national webmaster as well as technical support and continues to build computer expertise. In addition to protecting their information, OMGs, particularly the HELLS ANGELS, use sophisticated security systems and video cameras to protect their clubhouse perimeters.

Control over criminal networks and subordinates is maintained by intimidation and violence. The HELLS ANGELS in particular use violence as a tool in order to control their criminal networks and intimidate rivals. Intimidation of law enforcement and potential witnesses have been carried out in order to disrupt or delay judicial proceedings. To carry out criminal acts, OMGs will use puppet clubs such as street gangs and other lower-level OMGs in order to insulate themselves from prosecution. There are indications, however, that puppet clubs are declining in number due to the difficulty to control them and successful law enforcement action. In addition, certain puppet clubs are disassociating themselves from the more powerful OMGs in order to avoid the increased commitment and law enforcement attention such an association entails.

OMG activity within Canada remains widespread; these groups are continually attempting to widen their influence. OMGs, particularly the HELLS ANGELS derive their financial income from various criminal activities across the country such as prostitution and fraud. However, drug trafficking, most notably cocaine and marihuana, remains their primary source of income.

Due to the vast illicit drug market demand and abundance of territory in British Columbia and the Prairies, OMGs appear to co-exist with other groups such as Traditional (Italian-based) and Asian-based organized crime. In B.C. the HELLS ANGELS have seven chapters and are heavily involved in cocaine trafficking as well as marihuana cultivation. Some members of the HELLS ANGELS in B.C. have ties to Traditional (Italian-based) organized crime groups in B.C. and Central Canada. The HELLS ANGELS in this province are also attempting to sanitize their image as they hold interests in several legitimate businesses.

In Alberta, the HELLS ANGELS have three chapters. The NOMADS and Edmonton chapters are particularly involved in drug trafficking. The HELLS ANGELS in this province are composed of former rival motorcycle clubs, and as a result old allegiances and rivalries still exist, creating a degree of tension within the chapters. The HELLS ANGELS in Alberta do not have any extensive links with other criminal organizations in the province.

The two HELLS ANGELS chapters in Saskatchewan continue to operate interdependently, neither one rising as a dominant entity. In Manitoba, gang-related violence is increasing as criminal groups fight over the province's drug trade. The HELLS ANGELS are attempting to increase their sphere of influence in this province through the use of violence and intimidation of local drug traffickers.

OMG demographics in Central and Atlantic Canada are changing as groups targeted by law enforcement are weakened or disrupted. In Ontario, Project RETIRE, a three-year joint forces police operation targeting the OUTLAWS, concluded in September 2002 with the arrests of approximately 60 individuals,

including 40 full-patch members as well as two U.S.-based members, the OUTLAWS' U.S. national vice-president and the international president. RETIRE also concluded with the seizure of five OUTLAWS' clubhouses in Ontario. Trials stemming from these operations are ongoing. The OUTLAWS in Ontario are currently in disarray and their criminal influence is diminished.

The HELLS ANGELS in Ontario were recently targeted in Operation SHIRLEA, a joint forces police operation in the greater Toronto area. In April 2003, this operation resulted in the arrest of 42 individuals, including 14 HELLS ANGELS full-patch members from five chapters, two former members, three members of the RED LINE CREW puppet club and 23 associates.

Project AMIGOS, targeting the BANDIDOS in Ontario and Quebec, ended in June 2002. This operation concluded with the arrests of two Ontario-based members and the majority of the Quebec BANDIDOS, virtually eliminating the criminal influence of this group in both provinces. The HELLS ANGELS continue to be affected by the aftermath of Operation SPRINGTIME 2001. Megatrials stemming from this operation are ongoing, and arrests are still being made in relation to this massive operation. Two prominent former HELLS ANGELS NOMADS' members were arrested in April 2003, having been at large since evading the massive police sweep in the spring of 2001. They are currently facing charges of murder, drug trafficking and gangsterism.

The HELLS ANGELS in Quebec have undergone a significant organizational shift in the last two years. Due to successful law enforcement actions, internal strife and lack of leadership, many of the six HELLS ANGELS chapters in this province lack the necessary active members and/or organizational capabilities to maintain the scope of their criminal networks.

In New Brunswick, the BACCHUS are criminally active and maintain a strong association with the HELLS ANGELS. In Nova Scotia, the HELLS ANGELS Halifax chapter has also been weakened as four of its seven members are incarcerated, in addition to their clubhouse being seized after Operation HAMMER in 2001. In Newfoundland and Labrador, despite their lack of physical presence, the HELLS ANGELS continue to exert their criminal influence in this region through associates and/or local criminals.

Outlook

- Despite organizational difficulties, OMGs, particularly the HELLS ANGELS, will continue their attempts to expand their influence in Canada through violence and intimidation of lower level criminals.
- OMGs, will continue to be involved in criminal activity ranging from street-level drug trafficking and prostitution to higher level activities such as large-scale importation, exportation and distribution of illicit drugs, as well as money laundering and fraud.
- OMGs will continue to increase their use of technology, as well as the Internet, to promote gang interests, sanitize their outlaw biker image and facilitate communications between chapters across the country in order to further their criminal activities.

Traditional (Italian-based) Organized Crime (TOC)

Highlights

- The most powerful Traditional (Italian-based) organized crime (TOC) groups continue to be based in Ontario and Quebec; however TOC groups either directly or indirectly exploit criminal activities across the country.
- TOC continues to increase their wealth and influence through criminal activities, such as illicit drug importation/distribution, money laundering, illegal gaming/bookmaking, and their subsequent investment of illicit profits in legitimate businesses.

National Overview

Traditional (Italian-based) organized crime is well-established in Canada; for many groups comprising a history of several generations. This longstanding presence is a result of their organizational strength, which has derived from their stability and connections with other organized crime groups and associates. Domestically, these associations include outlaw motorcycle gangs, Asian-based, Eastern European-based, and Aboriginal-based, as well as other organized crime groups. They also have international connections with organized crime groups in South America, Italy and the United States.

Traditional (Italian-based) organized crime groups fall within one of three main types depending on their geographical origins: the Sicilian mafia, the 'Ndrangheta (or Calabrese), and La Cosa Nostra, based in the United States. Although TOC

continues to be most powerful in Ontario and Quebec, they also exert influence to varying degrees in other provinces across the country. Nevertheless, it is the Sicilian mafia that remains the most influential amongst TOC groups in this country. Since a power shift from the Calabrian mafia in the 1970s, the Sicilian mafia have built their organizations on tight family bonds while increasing their capacity to carry out sophisticated operations that can extend country-wide.

Generally, the capabilities of TOC in Canada are highly sophisticated. They include the undertaking of numerous criminal enterprises and the accompanying use of legitimate businesses that help to facilitate their criminal activities. Involvement in the illicit drug trade is a major source of wealth, including the importation, distribution and trafficking of various illicit drugs and marijuana cultivation. Drug-related activities range from lower-level drug trafficking to high-level importation schemes, involving a reliance on international networks.

The size and level of sophistication varies amongst TOC groups and determines the scope of their criminal activities. Nevertheless, importation and distribution of cocaine, hashish, ecstasy, and marijuana remain primary sources of obtaining wealth. Illegal gaming/bookmaking is also a specialty of TOC groups in Canada, including Internet gambling (offshore lotteries) and illegal gaming establishments in cafés or restaurants. To varying degrees, additional TOC criminal activities comprise money laundering, loansharking, extortion, fraud and large-scale thefts. Nonetheless, all TOC groups in Canada exert influence within communities, through legitimate businesses or investments, such as in real estate.

What facilitates TOC criminal organizations to become more powerful is their ability to reinvest their illicit profits into legitimate business. Legitimate businesses targeted by TOC groups include: construction and transport companies, restaurants and bars, and import/export companies. This not only provides avenues to launder money, but also the opportunity to expand their influence. The 1998 Project OMERTA demonstrated that some TOC groups have access to the international banking system where they can launder the proceeds of crime.

TOC develop strategic objectives to expand and cement their influence. A low profile is maintained, in accordance with the strategic use of violence and operation under the guise of legitimate business. International and interprovincial connections enable the facilitation of criminal operations. The capacity to launder the proceeds of crime has become a salient element for TOC in Canada as their level of sophistication and wealth accumulated from their criminal activities requires a high degree of expertise and insulation.

TOC groups in the western provinces maintain a relatively low profile while they continue to be involved in trafficking cocaine, money laundering and illegal

gaming and bookmaking. In British Columbia, TOC groups are heavily involved in illegal bookmaking and gambling. In Alberta, TOC groups are highly involved in drug trafficking and own numerous legitimate businesses. TOC groups operating in Saskatchewan and Manitoba are less influential than other TOC groups but remain involved mostly in drug trafficking.

The most influential Traditional (Italian-based) organized crime groups remain in Central Canada; specifically with the largest networks having influence in key locations across the country, including British Columbia and provinces in the Atlantic region. These powerful TOC groups are capable of carrying out a wide variety of criminal operations through networks domestically and internationally.

A recent successful Ontario-based TOC investigation, Project RIP, culminated in September 2002 with the arrests of 32 people. A criminal network involved in the distribution of drugs, including marihuana, ecstasy, gamma hydroxybutyrate (GHB), anabolic steroids, psilocybin (magic mushrooms), credit card fraud and stolen goods was disrupted as a result of this investigation. Interprovincial connections and links to the United States resulted in the arrests of individuals from Ontario, New Brunswick and the state of New York.

In Atlantic Canada, TOC groups based in other provinces continue to exert influence by making use of the coastline and marine ports to import large quantities of illicit drugs into Canada.

Outlook

- TOC will continue to have significant influence within organized crime circles in Canada. Further expansion into legitimate businesses and the development of new criminal opportunities, such as Internet gambling, will facilitate and enhance their criminal operations and wealth.
- TOC will remain at the upper echelon of illicit drug importation and distribution, frequently entering into joint ventures with other organized crime groups.

CISC National Monitored Issues

Contraband Tobacco and Alcohol

Highlights

- Contraband tobacco and alcohol activity occurs across Canada to varying degrees.

National Overview

Over the last twenty years, tobacco and alcohol products have been subject to various levels of criminal exploitation. In some cases it is to supply a product not readily available in Canada, but primarily the illicit markets exist to avoid high levels of federal and provincial taxation.

Since 2001, federal and provincial tobacco taxes have gradually increased. Despite this increase, there has been no apparent surge in illicit tobacco activities comparable to 1993, the historical smuggling high point. However, illicit activities are occurring in various forms including: cross-border smuggling, continuing illicit manufacturing, a declining but continuing interprovincial movement, and, domestic thefts. The participants in these activities are more often independent entrepreneurs or small groups as opposed to major organized crime groups.

In the early to mid-1990s, the smuggled tobacco products were predominantly legitimately exported Canadian manufactured brands that were shipped to the United States and then smuggled back into Canada. In February 2003, criminal fraud charges were laid against JTI-MacDonald Corp, related companies, and former employees, concerning allegations of complicity in the smuggling of contraband Canadian blend tobacco products between 1991 and 1996 inclusive.

Currently, the smuggled tobacco is mostly illicit Aboriginal manufactured products, discount U.S. brands, or other foreign products from South America, Asia, and the Middle East. Counterfeit cigarettes, particularly the Phillip Morris 'Marlboro' brand, have been encountered in Canada, believed to be smuggled from China.

The illicit alcohol market continues to be supplied by a variety of means, including: cross-border movement, illicit manufacture (either illicit stills or re-bottling operations), and, retail/wholesale thefts. There is a wide mix of participants in these activities including independent entrepreneurs and loosely organized crime groups. The United States continues to be a major source of illicit

alcohol smuggled into Canada. In November 2002, law enforcement disrupted a criminal network in Southern Ontario that had been allegedly smuggling 200 cases per week from the U.S. concealed in tractor trailers.

Illicit manufactured alcohol poses a public health concern due to the potential for bacterial contamination and/or methanol poisoning. Serious medical repercussions, ranging from blindness to death, could be the consequences of consuming alcohol from illicit sources.

Outlook

- The illicit alcohol market will continue to exist, consisting of similar components as in the past.
- The long-term effects of the current high level of tobacco taxes is unclear; however, the potential exists for a gradual increase in illicit activities.

Illicit Movement of Firearms

Highlights

- The illicit firearms market is supplied primarily by firearms smuggled from the United States or firearms that have been stolen from domestic businesses and residences.

National Overview

The illicit firearms market provides organized crime groups and individual criminals in Canada with weapons that assist in the furtherance of criminal activity. One illicit firearm in the hands of a criminal can be utilized in countless incidents of criminal behavior ranging from petty theft to murder until either seized by law enforcement or disposed of by the criminal. In particular, the illicit drug trade is a significant impetus that fuels the illicit firearms market in all regions of Canada. There is a profit incentive in the sale of illegal firearms; firearms sold on the illicit market in Canada are often between two to five times their original cost.

All organized crime groups across Canada are involved to some degree in the illicit movement and acquisition of firearms. While organized crime members may not be themselves directly involved in the initial acquisition of an illicit firearm, they are certainly connected to that acquisition either as an instigator, a planner, a

financier or most importantly, a customer. Organized crime members are inclined to acquire a multiple and multi-faceted firearm capacity that can serve various criminal requirements, ranging from the expensive prestige enhancing handguns to defensive automatic assault rifles and finally cheaper handguns that can be criminally used and then subsequently discarded.

The illicit firearms market is primarily supplied by two major sources: firearms stolen in Canada from either a business or a private residence; or, firearms smuggled from the United States. Other potential sources include: firearms or firearms parts illegally diverted from domestic commercial trade, and improperly deactivated firearms that are easily reactivated. It is difficult to accurately estimate the number of illicit firearms currently within Canada or that annually enter the illicit market from all of the various sources. One complicating factor is that a firearm is not a consumable product that requires a constant, and thus potentially measurable replacement level. A properly maintained firearm could remain functional and be continuously involved in criminal activities for decades.

Stolen or missing firearms must be reported to the police. Since 1978, over 97 000 such firearms have been recorded on Canadian Police Information Centre (CPIC) and remain unrecovered by law enforcement. Each year, approximately 2000 to 3000 firearms will be added to this total and could potentially enter the illicit market. In addition, firearms have been diverted from domestic commercial retailing, distribution and/or movement. In one example, a successful Ontario joint agency investigation, that culminated in the fall of 2001 with a number of arrests, disrupted an internal employee conspiracy within a Canadian handgun manufacturer that had been surreptitiously diverting firearms onto the illicit market for a number of years.

Firearms seized by law enforcement in Canada and subsequently traced in order to determine their origins continue to indicate the United States as the primary foreign source of illicit firearms. While it is difficult to estimate the number of smuggled U.S. firearms, the continuance of this activity is confirmed each year through intelligence, investigative information and enforcement seizures. These firearms, usually smuggled by individuals in small quantities (two to five), enter Canada either undeclared and concealed through a normal land entry point or surreptitiously across the vast land and water border areas separating Canada and the United States.

Along the Canada-U.S. border, IBETs (Integrated Border Enforcement Teams) are operationally engaged in the prevention and interdiction of contraband including illicit cross-border firearms movement. In addition, there are frequent individual law enforcement contacts on illegal firearms issues between Canada and the United States. Formal joint intelligence sharing groups such as Project NORTHSTAR and the Cross Border Crime Forum deal with a multitude of illegal cross-border issues including the smuggling of firearms.

Canadian enforcement resources are increasingly being dedicated towards firearms investigations. The National Weapons Enforcement Support Team (NWEST), currently administered under the National Police Services of the RCMP, provides firearms enforcement support across Canada. The Provincial Weapons Enforcement Unit (PWEU), an Ontario joint forces initiative, continues to spearhead and actively pursue firearms-based investigations in that province. The CISC Firearms Tracing Unit provides assistance to law enforcement in Canada and internationally in tracing the origins of firearms.

Outlook

- The illicit firearms market will continue to exist in Canada due to the continuous needs of individual criminals and organized crime groups.

Organized Crime and the Diamond Industry

Highlights

- The Canadian diamond industry is continuing to expand. There are now two diamond mines in operation in the Northwest Territories.
- Law enforcement is continuing to proactively monitor this industry to safeguard against infiltration by organized crime.

National Overview

Since the discovery of diamonds at Lac de Gras in the Northwest Territories (NWT) in 1991, Canada has developed to become one of the six largest producers of rough diamonds in the world. The potential criminal exploitation of diamonds, as observed in other countries, requires law enforcement to address this emerging industry by monitoring it proactively.

Diamonds are attractive commodity to organized crime because they are an easily portable and convertible form of wealth. Once diamonds are smuggled, they can be a means to launder money. Worldwide, criminal activities associated to the diamond industry include manipulating diamond valuations to distort the amount of taxes to be paid, trading illegal rough diamonds, or embedding illicit diamonds into legitimate diamond markets.

The diamond industry is relatively new in Canada, with the Ekati Diamond Mine in operation since 1998, and production at Diavik Diamond Mine beginning in early 2003. Ekati and Diavik are both located in the NWT, approximately 300 km northeast of Yellowknife. Despite the fact that the diamond industry is concentrated in the NWT, diamond exploration is ongoing in several other provinces including Alberta, Saskatchewan, Ontario and Quebec. The next two diamond mines scheduled to begin production will be Tahera Corporation's Jericho Project in Nunavut, which is expected to be operational within the next two years, and DeBeer's Snap Lake Project in the NWT by 2006. This is a highly lucrative industry, and brings about many economic benefits in royalties and subsidiary industries, such as marketing "Canadian" diamonds, diamond exploration companies and cutting and polishing firms.

The many stages and aspects of the diamond industry can be understood through what is termed the diamond pipeline: mining, production, rough trading, cutting and polishing, polished trading and the wholesale or retail phase. The value of rough diamonds increases as it progresses through the pipeline, so that world rough diamond production in 2001 was estimated at U.S. \$7.9 billion, but translated into U.S. \$56 billion by the retail phase.

The development of a Canadian cutting and polishing industry in the NWT is continuing. Within the next year, it is expected that there will be four cutting and polishing firms operating in Yellowknife, NWT.

To safeguard the integrity and financial potential of this industry, the RCMP's Diamond Protection Service, other law enforcement agencies, Criminal Intelligence Service Canada and the diamond industry, are proactively monitoring the industry to detect and prevent illegal activities that could have a negative impact.

In addition to law enforcement efforts, it has been recognized that the enactment of legislation is also necessary to protect Canada's reputation for mining "clean" diamonds, by keeping track of imports and exports of rough diamonds to ensure they do not originate from countries tied to "conflict diamonds". As a result, Canada is now one amongst 51 countries to have implemented the Kimberley Process Certification Scheme (KPCS). This international initiative began in an effort to curtail the trade in conflict or blood diamonds in order to maintain the integrity of the majority of trade in rough diamonds that is considered to be legitimate (or "clean").¹ To be compliant with the KPCS, Canada implemented the *Export and Import of Rough Diamonds Act and Regulations* on January 1, 2003.

¹ Conflict or blood diamonds refer to diamonds associated to the violent conflict in West Africa. Diamonds mined in this region have been known to be sold on the black market to raise money to support the continuance of regional conflicts.

A National Roundtable on Canada's Diamond Industry: Economic and Social Contribution to 2015 was held in May 2003, led by the Minister of Natural Resources Canada. This first Roundtable involved representatives from the diamond industry, federal, provincial and territorial governments, law enforcement, Aboriginal groups, academia and non-governmental organizations. Recommendations included initiatives to increase a skilled labour force, the development of systems to maintain the credibility/integrity of the industry, and taking advantage of opportunities to market Canadian diamonds. The recommendations stemming from this Roundtable will become part of a report to be presented to the annual meeting of the federal, provincial and territorial ministers in September 2003.

Outlook

- As the diamond industry is continuing to emerge and expand, so are the opportunities for criminal exploitation. Organized crime may seek avenues for infiltration in this industry as a source of illegal profits.

Sexual Exploitation of Children

Highlights

- The sexual exploitation of children (SEOC) is a global issue that victimizes a vulnerable sector of society.
- The most frequently investigated SEOC offences by Canadian law enforcement relate to on-line child exploitation, particularly the possession of child pornography distributed via the Internet.

National Overview

The sexual exploitation of children is a global issue that victimizes a vulnerable sector of society. Those involved in this type of activity, which includes child pornography, child prostitution and child sex tourism, are motivated by the need for personal gratification and, increasingly, for profit. The Internet and related technology has greatly enhanced the ability of these individuals to meet their needs. The Internet has also facilitated the formation of international organized groups of child pornography collectors.

In Canada, the most frequently investigated SEOC offences by law enforcement relate to on-line child exploitation, particularly the possession of child

pornography distributed via the Internet. A key point is that each image of child pornography represents an instance of sexual and physical abuse against a child. The proliferation of child pornography, or child abuse images, available on the Internet perpetuates this abuse as the images circulate around the globe. Once an image enters cyberspace it is difficult, if not impossible, to retract. In addition to seeking out those who make, distribute and possess child pornography, law enforcement is also working together internationally to identify and locate victims.

The Internet and file-sharing software provide collectors of child pornography, or child abuse images, the requisite tools to amass immense quantities of images. A Manitoba-based investigation in 2001 revealed a collection of over 350 000 images. In May 2003, an Ontario-based investigation uncovered a collection of over 1 000 000 images. In addition to the concern over the dramatic increase in numbers of images uncovered during investigations, law enforcement is also concerned about the increasing level of violence depicted in images as well as the recent increase in images involving infants and toddlers. Technology such as digital and web cameras, and most recently, camera phones, could enable collectors to also become producers of child pornography.

Collectors of child abuse images, are not generally thought of as organized criminals in traditional terms. However, under the current *Criminal Code* definition of a criminal organization, groups of collectors of three or more who come together, formally or informally, could be considered a criminal organization given their primary objective is to commit an indictable offence. These *Criminal Code* provisions could be applied to future SEOC investigations, should it be determined that there is a criminal organization component.

A developing trend relates to websites that offer child pornography for a fee. Until only recently, collectors of child pornography exchanged images with like-minded individuals for the sole benefit of enlarging their collections. Investigations over the past two years have demonstrated that this is no longer the case as there is a growing number of Internet sites offering access to child pornography for a fee. There is a concern that the recognized potential for profit could lead to an increase in the production of child pornography as website operators seek out new images for their customers.

Another type of on-line child exploitation is on-line enticement, or luring, where offenders seek out children in Internet chat rooms or other electronic fora for the specific purpose of facilitating sexual offences against a child. Offenders frequently present themselves as children, anxious to befriend the victim and even more anxious to arrange a face-to-face meeting. On-line enticement poses a significant danger to victims who unknowingly engage in on-line conversations with offenders.

Child prostitution is another aspect of SEOC that is of great concern to law enforcement. In Canada, child prostitution is most frequently reported by law enforcement in the larger urban centres. The average age of children involved in this activity is 14, which is also Canada's age of consent. A limited percentage of child prostitution can be attributed to organized crime, particularly through street gangs. A 2002 Quebec-based police investigation disrupted a long-standing child prostitution ring run by a Quebec City-based street gang. Approximately 30 girls, between the ages of 14 to 17, were controlled by this gang. Recruiters lured girls into the ring with expensive gifts and drugs. Charges against ring operators included being members of a criminal organization.

Child sex tourism involves travel arranged to various international destinations for the express purpose of sexually abusing children. Canada has had legislation in place since 1997, with amendments in 2002, that allows for the prosecution of Canadians who engage in this activity.

SEOC has been a national intelligence issue for CISC's membership since 1998. At that time, a strategic framework was developed for law enforcement that focused on the issues of child pornography, child prostitution and child sex tourism. Over the past four years, offences relating to on-line child exploitation, particularly the possession and distribution of child pornography, has been recognized as the fastest growing facet of SEOC in this country. Canadian law enforcement continues to work together with government and the community on major initiatives designed to combat this issue in a comprehensive and integrated approach.

Outlook

- In response to the global demand for child pornography, the number of Internet sites offering child pornography for a fee will increase.
- Street gangs, some with affiliations to organized crime groups, will continue to be involved in and profit from child prostitution.
- Increasingly, law enforcement will work collaboratively, nationally and internationally, to combat the sexual exploitation of children, particularly with respect to investigations involving on-line child exploitation.

Street Gangs

Highlights

- Street gangs will remain an area of growing concern to law enforcement due to the combination of recruitment, number of participants and their violent actions.

National Overview

Street gangs were not perceived as a significant threat when they first emerged in larger Canadian cities; however, law enforcement has increasingly become aware of the threat they pose. Historically, street gangs have been concentrated in the larger urban areas such as Vancouver, Toronto and Montreal, however, they are increasingly present in smaller cities, rural areas and on Aboriginal reserves. The gangs' organization and capacities range from unstructured and low-level criminal activities — such as assaults, shoplifting and bullying — to more structured gangs with high-level criminality, such as established drug trafficking and prostitution networks. Recently formed joint-forces operations, specifically targeting street gangs, are underway in Alberta, Ontario and Quebec.

The capacities of street gangs vary across the country but are generally limited in level and scope to unstructured, spontaneous, street-level criminal activities with little or no reinvestment of criminal proceeds. The fluid, transitory nature of street gangs also limits their stability and group cohesiveness. However, a number of gangs are becoming more organized and criminally sophisticated, and could be considered emerging organized crime groups. These groups remain involved in drug trafficking and prostitution and are becoming involved in counterfeit cheque and debit card fraud, primarily in the lower-level activities of stealing personal identification numbers (PINs) and card skimming. It is also known that some gangs are promoting themselves through websites and have members who have specialized computer knowledge which could facilitate criminal activities.

Many gangs support and facilitate the criminal activities of more established organized crime groups, like the outlaw motorcycle gangs or Asian-based organized crime groups by engaging in street-level drug trafficking and debt collection.

Although a number of street gangs often retain strong ethnic identities, multi-ethnic gangs are increasingly common. Some incarcerated gang members are involved in gang recruitment and criminal activities inside federal and provincial correctional institutions, as well as occasionally influencing gang

activities outside institutions. A number of gang members are maturing criminally in prison, demonstrating greater awareness of law enforcement tactics upon release. Street gang members are known to attempt to intimidate both police and corrections officials.

Street gangs regularly use violence to control members, protect the gang or its turf and for retribution. Common forms of violence include threats, intimidation, the use of weapons, drive-by shootings and murders. The degree of violence and the number of gang rivalries has increased noticeably in recent years. The often public nature of street gang violence poses a potential risk to the safety of communities.

In British Columbia, a number of street gangs is concentrated in the Lower Mainland area. Street gangs are involved primarily in drug trafficking, particularly marihuana and cocaine. They are also engaged in fraud, home invasions and marihuana cultivation.

Street gangs in the Prairies are numerous and constitute a criminal threat, particularly in trafficking drugs supplied by the OMGs and Asian-based organized crime groups. In Alberta, some gangs remain involved in low-level trafficking of marihuana, crack cocaine, cocaine and methamphetamine. In Saskatchewan, gangs are involved in assaults, vehicle thefts and drug trafficking. In Manitoba, a number of street gangs are trafficking crack cocaine in the Winnipeg area.

In Ontario and Quebec, particularly in the greater Toronto and Montreal areas, the number of street gangs has increased. Some gangs in Northwestern Ontario continue to be influenced in their activities by gangs in Manitoba. Successful operations against OMGs in Quebec and Ontario have enabled street gangs to expand their share of the illicit drug market. It is also known that a few, more structured gangs, have interprovincial prostitution and drug networks. An example includes a large-scale teenager prostitution network, led by a Quebec City-based street gang, that was recently disrupted by Quebec law enforcement.

Although there is little presence of street gangs in the Atlantic provinces, some gangs are known to be operating in Nova Scotia and New Brunswick. These gangs are predominately involved in low-level drug trafficking.

Outlook

- Street gangs across the country will continue to increase recruitment among vulnerable youth.
- Some street gangs will have the ability to adapt to more sophisticated criminal activities.
- Gang members and associates will remain violently protective of their territory and markets. This could lead to a source of conflict over the control of local and even interprovincial criminal markets.

Technology and Crime

Highlights:

- Technologies that provide benefits to society also provide opportunities for organized crime. Emerging technology offers new potential tools to commit old crimes such as money laundering and fraud.
- The increasing ease with which sophisticated technological tools can be used allows any person with basic computer knowledge to use them to facilitate criminal activities.

National Overview:

The rapid evolution of technology, particularly the Internet, increasingly facilitates international trade and in turn provides potential opportunities for organized crime. The increasing number of on-line users, as well as the increasing speed in which financial transactions occur, challenges law enforcement to remain in step with current technological tools and equipment.

As technologies for conducting on-line commercial transactions evolve, so do opportunities for fraud. Identity theft and payment card fraud are among the most frequently occurring types of fraud in Canada according to Phonebusters, a fraud reporting agency administered by the Ontario Provincial Police in cooperation with the RCMP. Identity theft provides opportunities for criminals and/or members of organized crime groups to assume a false identity and obtain funds illegally. The use of sophisticated peripherals such as laser printers, digital cameras, scanners, and desktop publishing software can also offer the opportunity to facilitate the production of false identities and counterfeit documents.

Asian-based and Eastern European-based organized crime groups are reported to be extensively involved in large-scale elaborate payment card fraud schemes as well as other fraud-related criminal activity throughout the country.

There are instances in which the modification and/or enhancement of existing technology may also allow criminals to facilitate fraud-related crimes. In March 2003, Ontario-based individuals with suspected ties to organized crime persuaded unsuspecting merchants into using modified point-of-sale machines. These machines, fitted with a “skimming” device, would sit for a period of time capturing payment card information until the device was retrieved by the criminals. In December 2002, several individuals were charged with debit card fraud and fraud over \$5,000 after participating in an elaborate automated teller machine fraud scheme orchestrated by members of an Eastern European-based organized crime group. This scheme, which stretched across the country, had an attributed loss of over \$1.2 million. Electronic mail is also used to facilitate schemes such as stock market manipulation, frequently referred to as *pump and dump* or *slump and dump* schemes,² telemarketing schemes, as well as proliferating malicious code programs such as the SLAMMER³ worm in January 2003.

Criminal groups such as outlaw motorcycle gangs and Asian-based groups are reportedly using technologies to secure their documents and communications. Peer-to-Peer (P2P), a communications protocol which allows computers to communicate directly with one another without the intervention of a server, as well as Internet Relay Chat (IRC), an instant messaging protocol, offers the opportunity for criminals to communicate covertly and facilitate the electronic distribution of child pornography, illicit drug transactions, money laundering and fraud. Files may be encrypted or masked using methods such as steganography, which allows users to hide text, image or sound files within another file. The increasing sophistication of voice privacy techniques may be exploited by organized crime. Wireless technology is readily available and can be used in an effort to remain anonymous.

To minimize these challenges and obstacles, Canadian law enforcement is participating in national and international initiatives such as the Federal-Provincial-Territorial Working Group on Cybercrime to examine issues concerning the illegal use of technology. Issues such as theft prevention, lawful access and encryption are addressed by this group. In addition, in 2001, with growing

² Method to influence stock prices by spreading false information via the Internet, causing stock to increase/lower in price. This enables the criminal to buy or sell the stock at a more desirable price.

³ SLAMMER was discovered in January 2003. This worm brought down computers networks worldwide by launching distributed denial of service attacks via the Internet. Monetary losses attributed to SLAMMER amounted to approximately \$1.2 billion worldwide.

concern over the potential risk of technological attacks on various infrastructures such as energy and utilities, communications, services, transportation, safety and government sectors, the Office for Critical Infrastructure Protection and Emergency Preparedness (OCIPEP) was established to develop protective measures for Canada's critical infrastructures.

Another significant challenge to technological crime investigators in Canada is the issue of jurisdiction. There are a number of fundamental requirements needed to maintain an evidentiary trail that often crosses international borders. To facilitate this issue internationally, Canada was one of many signatory countries which helped draft the Council of Europe's *Convention on Cybercrime*, the purpose of which is to establish a common international criminal policy on cybercrime. This convention is still in the ratification process in Canada.

In an effort to remain in step with current technologies and expertise, law enforcement in Canada is taking measures to increase resources, training and personnel within the various technological crime units across the country. In recognition that technology represents a new dimension in criminality, law enforcement continues to develop key partnerships with governmental and private sectors to establish best practices and strategies in order to reduce the risk posed by the criminal exploitation of technology.

Outlook

- As technology evolves, law enforcement, government and private sectors will continue to work together to establish strategies and best practices to reduce the risk posed by organized crime's use of technology.
- Law enforcement will continue its efforts to remain in step with current technologies to combat increasingly sophisticated and elaborate crimes facilitated by emerging technologies.



**CISC 2003 Annual Report on
Organized Crime in Canada**



Evaluation Form

Criminal Intelligence Service Canada would like to receive feedback on its *Annual Report on Organized Crime in Canada* in order 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 ensure a better report.

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
Law enforcement response	No use	1	2	3	4	5	Most useful
Emerging trends	No use	1	2	3	4	5	Most useful

**Please circle the number which best describes your judgement about the content of the report.
(1 = Poor and 5 = Excellent)**

Readability and understanding	1	2	3	4	5
Organization of the report	1	2	3	4	5
Quality and usefulness of information	1	2	3	4	5
Overall value	1	2	3	4	5

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

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

This form is available on CISC's website at: www.cisc.gc.ca. CISC welcomes your comments and requests that you complete the information box and return this form by e-mail, fax or mail to:

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