

## 1997 report

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**Criminal  
Intelligence  
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Annual  
Report on  
Organized  
Crime in  
Canada  
1997**

**EXECUTIVE  
EDITOR**

Richard  
Philippe  
Director  
Criminal  
Intelligence  
Service Canada

**EDITOR IN  
CHIEF**

Angus Smith  
Criminal

Analysis  
Branch  
Criminal  
Intelligence  
Directorate  
Royal Canadian  
Mounted Police

**DESIGN**

Bill McMillan  
Art Director  
Graphic Design  
Unit

Royal Canadian  
Mounted Police

**Prepared for  
the Internet**

Marc P. Grecco  
ACIIS Unit,  
Criminal  
Intelligence  
Service Canada

**Inquiries on  
this publication  
should be  
directed to:**

Director,  
Criminal  
Intelligence  
Service Canada  
1200 Vanier  
Parkway  
Ottawa, Ontario  
K1A-0R2

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## **INTRODUCTION**

**O**rganized crime is one of the most insidious forces in the world today. Its influence transcends both physical and political boundaries, and is felt in all countries and in all fields of human endeavour. Historically, organized crime insinuates itself into industry and the financial sector, becoming an integral part of both local and global economies. It forges alliances with nationalist and extremist groups and, in some cases, actually infiltrates the structure of legitimate government, effectively becoming a political power in its own right. Despite the best efforts of law enforcement, organized crime grows ever more powerful, with an unprecedented potential for corruption.

**C**anada is by no means immune to the encroachment of organized crime. Virtually every major criminal group in the world is active in this country and many are well established, their roots sunk deep in Canadian society and the Canadian economy. There are many reasons for this. Profound social, political, economic and technological change has effectively eliminated borders and notions of national sovereignty. People, commodities and money travel freely and at lightning speed, and criminals come and go as they please, pursuing the opportunities now available in a rapidly shrinking world. Canada is a particularly attractive destination in this regard. It is a stable country, with an established and efficient economic infrastructure. Traditionally, criminals have been attracted by Canada's lack of comprehensive legislation against organized crime and the relative ease with which its banking and financial sector can be used for laundering and manipulating the proceeds of crime. This is gradually changing with the introduction of new laws and legislation designed specifically to attack organized crime and to protect the integrity of our financial infrastructure.

**W**hether Canadians recognise it or not, Canada is an important branch operation of the global "business" of organized crime, and criminal activity in Canada has increasing international ramifications. Asian-based organized crime groups in Canada are responsible for massive counterfeiting of credit cards, to the point that Canada has become one of the world's major suppliers of counterfeit credit cards. Money launderers take advantage of Canada's lack of legislation governing currency and monetary instruments reporting to

move large quantities of currency through and out of the country, some of it the proceeds of crimes perpetrated elsewhere.

**M**any organized crime groups in Canada are exploring the possibilities of new forms of criminal enterprise, many of which are radical departures from more traditional activities. This emphasizes the evolutionary nature of organized crime, and the difficulties faced by law enforcement which is forever forced to play catch up. For example, tobacco, alcohol and contraband smuggling, long considered the preserve of Aboriginal-based organized crime groups, has become a major source of revenue for organized crime. Virtually every criminal group in Canada is now active in smuggling, attracted by the enormous potential profits, to say nothing of the relatively lenient penalties involved. The Hells Angels are rapidly achieving a monopoly over the cultivation of potent hydroponic marihuana and are increasing their role in alcohol and tobacco smuggling. Asian-based organized crime continues to be involved in the heroin trade, while a number of criminal groups are increasing their role in illegal migrant smuggling. Like contraband smuggling, migrant smuggling combines high returns on investment with relatively minor penalties if caught and will undoubtedly attract the attention of other groups.

**O**rganised crime has a profound effect on Canadian society, even for those whose lives are not touched directly by criminal activity. The social costs of drug trafficking and abuse, for example, manifest themselves in violence and rising urban crime rates. The continuing war between the Hells Angels and the Rock Machine over control of the Montreal drug trade has already resulted in more than 50 deaths, including an innocent 11 year old bystander, and hundreds of thousands of dollars in damaged and destroyed property. Government revenue losses due to contraband smuggling are estimated in the millions of dollars, while legitimate business is forced to compete with a powerful and growing black market.

**L**and claims and unresolved treaty issues will be at the root of most incidents of legitimate aboriginal unrest. The federal government's perceived lukewarm response to the 1996 Royal Commission on Aboriginal Peoples Report and its proposed amendments to the Indian Act are of continuing concern to the aboriginal community. Organized crime may use this as a pretext for criminal activity. In Manitoba, an aboriginal street gang, the Manitoba Warriors, is involving itself to an increasing degree in political situations like the standoff at the Waterhen Reserve.

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**EXECUTIVE SUMMARY**

**M**ost of the criminal organizations identified in previous editions of the CISC Organized Crime Report continue to be active in Canada, although in many cases, the nature of their activities has changed or developed rather significantly.

**A**sian-based groups continue to control a significant share of the importation and distribution of Southeast Asian heroin in Canada and are continuing to expand their involvement in white collar crime. They also play a major role in computer software piracy and in the theft and export of luxury automobiles.

**E**astern European-based, particularly Russian, organized crime groups now operate in virtually every part of the country and, along with their more traditional activities, have expanded into the smuggling of stolen commodities, including luxury automobiles, computer equipment and other consumer goods. They are likely to attempt to become more involved in the illicit drug trade, as well.

**A**boriginal street gangs are undergoing a period of growth. They are extending their influence across the prairies and into Northern Ontario and are forging links with other organized crime groups. Their status in the criminal underworld has been enhanced considerably by their involvement in the standoff at the Waterhen Reserve and in the riot at the Headingley Jail. Aboriginal organized crime may use recent political developments as a pretext to undertake criminal activity in the guise of political action.

**W**hile Akwesasne, astride the Quebec, Ontario and New York State borders, remains a smuggling centre, the contraband trade is no longer strictly an aboriginal preserve. Virtually all of the major organized crime groups in Canada now participate in smuggling activity, either individually or in groups. The potential profits are huge and consequently, legitimate business is forced to compete with a growing black market.

**A** form of this activity which has gained prominence is the smuggling of illegal migrants. This is a particularly lucrative enterprise for the smuggling groups involved in it as large sums of money can be extracted from a vast pool of potential migrants while the legal consequences are negligible.

**A** number of incidents over the past year, including murders, arson and major drug importation schemes, have served as reminders that Italian-based organized crime remains a continuing presence on the Canadian criminal scene. Italian-based groups are heavily involved in money laundering and corruption and have acquired a great deal of strength through alliances with other criminal organizations.

**The** Hells Angels Outlaw Motorcycle Gang remains one of the most prominent criminal groups in Canada. It is heavily involved in the drug trade, particularly hydroponic marihuana cultivation, and makes extensive use of international financial networks to launder the proceeds of its criminal activities. It is making aggressive inroads into the Prairie Provinces and Ontario, and continues to be involved in a ferocious armed conflict with its rivals in Quebec, the Rock Machine.

**Drug** trafficking continues to be one of the primary sources of revenue for organized crime groups based in Canada. Cooperation between groups is common as they rely on each other's contacts in source and transit countries, logistical capabilities and distribution networks. Cannabis and cocaine remain the drugs of choice among Canadian users, while the threat from heroin continues to evolve. Asians, Italians, Colombians and Outlaw Motorcycle Gangs dominate the upper echelons of the Canadian drug trade, although secondary groups including Iranians, Romanians, Lebanese, Jamaicans and non-Colombian South American organizations grapple for shares of this lucrative market.

**The** Internet and various technological innovations are beginning to have a serious impact on proceeds of crime and white collar offences. Major criminal organizations continue to exploit legal and regulatory shortcomings to launder large sums of money in Canada. Some will realize the potential of various Internet financial services to communicate and to carry out money laundering operations. The Internet is also being used increasingly to trade and distribute securities. This environment is difficult to regulate and may lead to an increase in securities fraud and manipulation. Technology like scanners, computer graphics software and high quality colour printers, meanwhile, make counterfeiting relatively simple and put it within the capabilities even of smaller criminal organizations.

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**Message from the Chair Criminal Intelligence Service Canada**

**COMMISSIONER J.P.R. MURRAY**

The global village and the global economy have become standard phrases in the language of contemporary politics and commerce. The proliferation of technologies like the Internet and instantaneous telecommunications have given these concepts new meaning, while political change and the erosion of geopolitical boundaries have done much to bring the world's people closer together.

Unfortunately, developments in the underground world of crime parallel those in the legitimate world. As documented in this report, transnational crime and borderless crime have become part of the police lexicon as criminals move freely around the globe and explore the possibilities of new technologies.

Law enforcement, meanwhile, has been undergoing its own form of evolution. In the 1970's and 1980's, policing was based on a reactive model, dealing with crime after it had happened. The public began to sense that the police were losing touch with their needs. Thus, a preventive model of policing was developed in the 1990's, one that stressed the need for partnerships and preventive measures in dealing with crime of all types.

Criminal Intelligence Service Canada is an organisation that facilitates both partnerships and preventive measures in policing. With its law enforcement partners across the country and its intelligence gathering and analysis capabilities, CISC is in perhaps the best position to deal with continuing criminal activity and with new issues like the sexual exploitation of children, misuse of the Internet and technological crime.

While the message contained in this report may seem bleak, the situation is far from hopeless. Through CISC, all of the police forces in Canada continue the struggle against transnational organized crime and seek innovative methods of preventing its expansion.

Success in this regard, however, is not something that happens overnight. It is something towards which we must all strive, something that must become a target in itself.

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**Message from the Director  
Criminal Intelligence Service Canada**

**DIRECTOR R. PHILIPPE**

The document which you are about to read is the Criminal Intelligence Service Canada's annual assessment of the nature and extent of organized crime in Canada. It is based upon information gleaned from investigations conducted by CISC partner agencies from coast to coast and is intended both to inform the public and to assist law enforcement in the development of priorities and operational plans.

The dual nature of this report recognizes an important element in the struggle against organized crime: the police cannot act alone, but require the support of the public. Organized crime touches each one of us in some way and every citizen is a key factor in halting its advance. This partnership between the police and the public is crucial and lies at the heart of the concept of community policing.

Partnerships between law enforcement agencies are equally important in this regard. No single police organization can hope to deal alone with any of the complex problems documented in this report. Canadian police must reach out to one another and work together, for it is only through the building of partnerships that we will have any appreciable effect on the spread of organized crime. CISC is the key to such links, for as an organization that unites the Canadian police community it can help to create a common front against organized crime.

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## NATIONAL ORGANIZED CRIME PRIORITIES

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- Aboriginal Based O.C.
- Asian Based O.C.
- East-European Based O.C.
- Italian Based O.C.
- Outlaw Motorcycle Gangs

### **Other Significant Organized Crime Issues**

- Columbian Based
- Contraband & Smuggling
- Counterfeiting
- Illegal Movement of Firearms
- Illicit Drug Trade
- Cannabis
- Chemical
- Cocaine
- General
- Heroin
- Illegal Migration
- Money Laundering
- Securities Fraud



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## **ABOUT THIS REPORT**

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

**T**he CISC 1997 Annual Report on Organized Crime in Canada is designed to present a comprehensive review of organized crime groups and their activities, based on intelligence and investigation reports from Canadian and international enforcement agencies. In particular, CISC relies on intelligence from CISC member agencies across Canada. CISC also works in close partnership with Criminal Intelligence Directorate of the RCMP for the collection and analysis of intelligence on organized crime and for the production of this report.

**T**he increasing sophistication of organized criminal activity demands of police and other law enforcement personnel an ever greater understanding of criminal methods and motivations. As organized crime grows increasingly transnational in scope, CISC and other Canadian and international enforcement agencies are being called upon to respond with greater cooperation between agencies and jurisdictions and with thorough strategic planning in the foreground.

**D**evelopment of an accurate estimate of the current situation and trends with respect to organized crime is a key element of successful enforcement and prevention strategies. Moreover, it is fundamental to rational policy making and public debate.

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**ABORIGINAL-BASED ORGANIZED CRIME**

**Highlights**

- Aboriginal street gangs in the Prairie provinces are growing and making alliances with other organized crime groups. They have enhanced their status in both the criminal and the aboriginal communities through their involvement in the Waterhen reserve standoff and the riot at the Headingly Jail.
- Akwesasne remains a smuggling centre. Liquor, tobacco, illegal aliens and other consumer goods are moved through this area. The smuggling of tobacco products is not as widespread as it was before 1994.

**Current Situation**

The stand-off at the Waterhen reserve in Manitoba in May was the only major aboriginal incident in 1996. There were several other hot spots that threatened to ignite but that nevertheless remained calm. The Royal Commission on Aboriginal Peoples (RCAP) report released in November 1996 contains 440 recommendations that, if adopted, would see major constitutional changes, increased spending of \$30 billion over a 20 year period, land claim settlements and redress of grievances over residential schools, among other issues. Various aboriginal leaders have warned that if the recommendations are not heeded, violence on the scale of Gustafsen Lake, Ipperwash and Oka could once again occur. There has also been resistance to the federal government's proposed changes to the Indian Act. This intransigence could intensify the irritation that some aboriginals are already feeling about what they consider to be the federal government's lukewarm response to the RCAP report.

Aboriginal-based organized crime groups may use these political developments as an excuse to undertake criminal acts in the guise of political action.

### **Criminal Activity**

Aboriginal street gangs remain a concern for law enforcement, particularly in the Prairie provinces. These gangs are primarily made up of young aboriginals on the bottom rung of the socio-economic ladder. Their development is similar to that of street gangs in the United States. The most powerful group, the Manitoba Warriors, are involved in drug trafficking and prostitution.

Although based in Winnipeg, the Manitoba Warriors are active in other cities and rural aboriginal communities on the Prairies. They also have a presence in aboriginal communities in north-western Ontario. The Manitoba Warriors made headlines in 1996 with their involvement in the stand-off at the Waterhen reserve in Manitoba. They were hired to provide an armed presence for a dissident faction on the reserve.

Two Manitoba Warriors and a striker for the Los Bravos were convicted in the murder of two Hells Angels associates and another individual in Winnipeg. The murders were apparently committed over control of prostitution in Winnipeg.

Members of the Manitoba Warriors and the Indian Posse were an important factor as instigators and participants in the riot at Manitoba's Headingley Provincial Jail in April 1996. Some prisoners were tortured and beaten during the riot by gang members and damage to the institution exceeded \$3 million.

Akwesasne is still the area of operations for aboriginal criminal organizations. The smuggling of liquor, tobacco, illegal aliens and other commodities continue to cross the border between Canada and the United States. Liquor and tobacco products are smuggled into Canada from the United States while illegal aliens are smuggled in the other direction. Inter-provincial tax evasion on tobacco products is also being committed by these criminal organizations when they move tobacco products from a low-tax province to a high-tax province. Tobacco smuggling has fallen in the aftermath of the 1994 reduction in the federal tobacco tax.

Illegal alien smuggling through Akwesasne was publicized last year after an elderly woman drowned during a crossing into the United States.

## **Outlook**

- Irritation over the federal government's perceived lack of response to the RCAP report and unwanted amendments to the Indian Act will give aboriginal organized crime a pretext for criminal activities.
  - Aboriginal street gangs will continue to consolidate their control of criminal activities such as prostitution and drugs in urban centres like Winnipeg.
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### ASIAN-BASED ORGANIZED CRIME

#### Highlights

- Asian-based criminal organizations will continue to expand their involvement in white collar crime. In particular, organized shoplifting groups, the theft and exportation of luxury automobiles, credit card fraud, telecommunications fraud, money laundering and the pirating of computer software.
- Importation and the distribution of heroin from Myanmar ( Burma), Thailand, Laos, and Vietnam poses a significant threat to Canadian society.
- Asian-based organized crime groups have established links with various other organized crime groups.

#### Current Situation

Asian-based organized crime in Canada is firmly established in several metropolitan areas. Toronto and Vancouver are the principal centres of concern to law enforcement. Montreal, Calgary and Edmonton are also affected by Asian-based criminal groups, followed to a lesser extent by Winnipeg, Ottawa and Halifax. In Canada, crime groups operating within Asian communities consist of three main elements: triads, gangs and other organized crime groups.

There are known triad members in Canada, as well as evidence of established triads. The Luen Kung Lok and the 14K have both had a historical presence in this country. Apart from the triads, there are several other Chinese-based organized crime groups, the Big Circle Boys (BCB) being the most criminally active. The focal point of the BCB activity continues to be the Greater Metropolitan Toronto area. This city has also noticed a new and emerging criminal element originating in China's Fujian Province.

Much of the increase in violent Asian-based criminal activity can be attributed to Vietnamese, Laotian and Cambodian street gangs, which for the most part exploit victims

in their own communities. The mobility and propensity for violence of these gangs are a concern for Canadian law enforcement agencies. Extortion, loan sharking, witness intimidation, illegal gambling, prostitution, drive-by shooting, "home invasion" and commercial robberies are typical gang signature crimes.

The Vancouver Region has recorded more than 20 unsolved homicides from within the Asian community in the past 18 months. In the past year, the Greater Montreal area has also experienced an increase of home invasion robberies within its Asian community.

In Canada, Asian-based organized crime groups are now involved in crimes that reach beyond the Asian community, including such white collar crimes as money laundering, credit card fraud, counterfeit cheque schemes, telecommunications fraud and the pirating of computer software. As well, these groups are involved in sophisticated major theft rings and commercial break and enters. These expanding areas of criminal activity present a challenge to law enforcement and threaten both the banking community and Canadian society as a whole.

### **Economic Crime**

Criminal groups operating in the Asian community continue to be responsible for most counterfeit credit card fraud in Canada. While the BCB are the main operators in this area, other Asian criminals are also believed to be involved. Asian-based criminal groups have also been involved in the distribution of counterfeit currency.

The theft and the smuggling of computer hardware and software is an area in which Asian criminals are increasing their involvement. In the past year, Asian criminals in British Columbia and Ontario have been involved in theft of computers, computer components and electronic goods and in manufacture of pirated videos. Asian-based organized crime is also one of the major factors in the theft and smuggling of automobiles to countries in Southeast Asia such as the Peoples Republic of China (PRC) and Vietnam.

### **Drugs and Smuggling**

There is a predominance of Asian-based criminals at every level of the Canadian heroin trade, from importation to street-level distribution. For instance, in Calgary and Edmonton, Asian gangs are involved in the distribution of drugs. This involvement extends to the control and the distribution of drugs in northern centres such as Yellowknife. Drug related violence has been problematic in both Edmonton and Calgary.

In the past year, Asian criminals have been involved in the smuggling of illegal migrants from the PRC, particularly from the Fujian province. Many of the illegal migrants have

used Canada as a transit point to reach the United States. For instance, upon arrival in Canada, many illegal migrants from the PRC are smuggled into the United States by a variety of means including overland and by boat. Some of the illegal migrants are smuggled through the Akwesasne reserve.

Asian-based syndicates also continue to be active in selling smuggled liquor and cigarettes. These groups have established links with various organized crime groups such as Aboriginal-based organized crime for purchasing contraband liquor or tobacco for their distribution networks. Asian groups have also worked with the Hells Angels Chapters in Quebec and British Columbia in the distribution of drugs and firearms.

### **Outlook**

- Asian-based organized crime will continue to control the importation and distribution of top quality Southeast Asian heroin. They will use acts of violence to maintain their control over this activity.
- Asian-based criminal groups will continue to be involved in credit card fraud as well as in the theft and smuggling of computer components.
- The Big Circle Boys and their associates will continue to pose a significant threat in most urban centres across the country.

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## **EAST EUROPEAN BASED ORGANIZED CRIME**

### **Highlights**

- East European-based organized crime is now operating in virtually all areas of the country and is also expanding in terms of the types of criminal activities in which it is involved. There has been a notable increase in the smuggling of stolen commodities, including luxury automobiles, computer equipment and other consumer goods.
- East European-based organized crime groups in Canada are well connected across the country, with strong links to counterparts across the United States, western and east central Europe and the Former Soviet Union (FSU).

### **Current Situation**

East European-based organized crime in Canada has increased in terms of both the range and the level of its activity and now operates in virtually all regions of the country, from British Columbia to the Atlantic region. In addition to crimes such as extortion of the émigré population, the activities of these groups run the gamut from operating shoplifting and prostitution rings to immigration violations and various types of fraud. These groups are involved in gas tax frauds, money laundering and drug importation. There has been an increase in the theft and smuggling abroad of consumer goods, from luxury automobiles to computer equipment and jewellery. Links have been established among East European-based criminal organizations across Canada, as well as to counterparts in the United States, western Europe, east central Europe and the FSU.

While some East European-based organized crime groups are characterized by formal reporting / organizational structures, others appear to be strictly venture-oriented, forming

and disbanding in accordance with the commission of a crime or crimes. As well, several East European-based organized crime groups have been linked to so-called entrepreneur class criminals from Eastern Europe, who upon entering Canada or shortly thereafter, became involved in large international trading ventures conducting business between Canada and Eastern Europe.

### **Outlook**

- East European-based organized crime will increase its involvement in the smuggling of stolen consumer goods to the FSU and other destinations.
  - It is likely that East European-based groups in Canada will attempt to become more involved in the illicit drug trade.
  - As East European-based groups diversify and expand their criminal activities, they will establish links with other organized crime groups in Canada.
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## **ITALIAN-BASED ORGANIZED CRIME**

### **Highlights**

- Over the past year, a number of important incidents - unsolved murders, arsons, major drug importations - occurred in Canada, which serve as reminders of the continued presence and threat of Italian-based organized crime (IOC).

### **Current Situation**

IOC is a major concern provinces: British Columbia, Ontario and Quebec. Other parts of the country are also influenced by IOC activity, but this is most often attributable to the existence of some desirable resource or facility, such as a remote stretch of coastline suitable for drug offloads.

In Canada, IOC members adhere, to varying degrees, to three factions, namely the Sicilian Mafia, the 'Ndrangheta and La Cosa Nostra. At this time, the strongest is the Sicilian Mafia.

As stated in previous years, drug importation and trafficking along with money laundering are IOC's primary criminal activities. Secondary activity includes murder, extortion, assault, contraband smuggling, gambling, loansharking and arson.

Project CAVIAR/OVERDATE concluded in April 1996 with the arrest of 32 people in Canada and Spain. Charges of conspiracy to import hashish and cocaine to Canada and conspiracy to traffic cocaine were laid against important organized crime figures, many of whom were IOC subjects. Hashish seizures to a total of about 3 tons were made in

Toronto, Montreal, England, and Pakistan. A total of about 500 kilograms of cocaine were seized in Toronto and Montreal, Rouse's Point, N.Y. and New York City, Panama and Brazil. In the Toronto area, two separate and distinct groups were importing narcotics into Canada through the Lester B. Pearson International Airport. One of these groups allegedly directed baggage handlers to remove specified pieces of luggage prior to inspection by Canada Customs. The second group used an employee of an airport-based company, which was a police storefront, to import narcotics from Europe in cargo containers. The common link for these two groups was the Quebec-based conspirators.

**Project CHOKE** extended from 1993 to April 1996. The Ontario segment of this investigation was codenamed Project OILPALM. These investigations targeted a criminal organization involved in the trafficking of heroin and cocaine in Montreal and Toronto, with ties to suppliers in New York and Miami, as well as Cali, Colombia and Lima, Peru. While several importations were planned, only one actually occurred. This shipment contained 170 kilograms of cocaine. Important organized crime figures were arrested and charged. Frank COTRONI and his son, Francesco, Anthony VOLPATO, and Giovanni MARRA, all from the Montreal area, were among this group.

The above investigations serve to illustrate a number of common factors in major criminal operations. They are excellent examples of the international dimensions of present-day crime. They also illustrate the benefits of cooperation between enforcement agencies, both domestic and foreign, to combat such illegal initiatives. Concealment methods noted included contraband hidden in loads of shrimp, coffee and leather. Although legitimate companies were sometimes unknowingly implicated, many of the major participants in these crimes were owners, managers or important shareholders of valid business enterprises. These ranged from financial advisors and investors to transport company owners to small-scale florists.

Italian authorities state that there are growing links between the criminal groups in Italy and those in other countries such as Russia, Japan and China. These alliances are believed primarily to facilitate money laundering. In Canada, such associations are surfacing on an increasing basis and any major criminal undertaking features cooperation between groups and individuals of many ethnicities. Testimony before a US Senate Subcommittee in May 1996 included statements by former Italian-based organized crime members describing the specific roles played by IOC and Eastern European-based Organized Crime in US-based fuel tax schemes. Simply stated, protection for the hundreds of Russian-owned gas stations was provided by IOC, permitting the existence of a "cartel" for the supply and distribution of gasoline.

## **Outlook**

- Members of Italian-based organized crime (IOC) use corrupt practices in order to gain favours and to remain out of reach of the law.
  - Members of IOC will continue to be actively involved in money laundering, which is one of their main activities.
  - Because of the enormous income derived from criminal activities, members of IOC who control legal business can maintain low prices, thus creating unfair competition for other legitimate enterprise.
  - Italian-based organized crime remains a real threat in Canada. Its increased strength, gained through cooperation with other organized crime groups, constitutes a formidable challenge.
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**HELLS ANGELS & OTHER OUTLAW MOTORCYCLE GANGS**

**Highlights**

- The Hells Angels remain one of the most powerful and organized criminal groups in Canada.
- Drug trafficking is the most lucrative activity of outlaw motorcycle gangs. This is especially true of the Hells Angels who, with the support of their affiliated clubs, have taken over the distribution and sale of drugs such as cocaine, cannabis, LSD and PCP. Furthermore, the Hells Angels are involved in the hydroponic cultivation of marihuana. They also have an increasing share in alcohol and tobacco smuggling.
- The armed conflict between the Hells Angels and the Rock Machine still rages in the Province of Quebec.
- The Hells Angels have moved into Alberta and forged ahead with their plans for expansion into the provinces of Saskatchewan, Manitoba and Ontario.

**Current Situation**

Out of the 38 outlaw motorcycle gangs documented in Canada, the Hells Angels stand out as the most powerful and best organized. It is the only club to wield influence in every province of the country, except Ontario. The Hells Angels are constantly looking for ways of further diversifying their criminal activities.

In Quebec, the war continues between the Hells Angels and the Rock Machine, an independent motorcycle gang with no colours. This conflict broke out in July 1994, when both gangs attempted to assume control of drug trafficking in the Montreal area and other parts of the Province.

Unlike the previous year, when the war caused scores of casualties, there was a noticeable reduction in the number of violent incidents in the early part of 1996. This period of calm was short-lived however and the hostilities resumed in the spring, this time in the Quebec City area. The Rock Machine, backed by the ROBERGE brothers, an independent Quebec City organization, waged a ferocious struggle with the Hells Angels for control of bars and drinking establishments involved in the distribution and sale of drugs. This surge in violence was followed by other major incidents. In August, an attempt was made on the life of the imprisoned leader of the Rock Machine who was awaiting trial in the United States for conspiracy to import drugs.

The same month, in Verdun near Montreal, a 90 kg dynamite bomb was found near a warehouse used by the Rock Machine as a meeting place. In October, two important members of the Montreal Chapter of the Rock Machine were gunned down in Verdun. In November, a bomb consisting of 23 kg of dynamite was planted on the property of the Hells Angels clubhouse in St-Nicolas, a Quebec City suburb. The device was dismantled before it could explode. In December, a member of the Hells Angels Quebec City Chapter was killed.

Since this conflict broke out, there have been over 50 victims, 57 attempts or conspiracies to commit murder and 40 bombings and/or cases of arson.

The team of investigators set up in October 1995 and made up of members of the QPF, the MUCPD and the RCMP and better known as Operation CARCAJOU, has carried out a relentless fight against outlaw motorcycle gangs. In 1996, CARCAJOU was extended outside the Montreal area to concentrate on drug traffickers associated with motorcycle gangs in the areas of Quebec City and Sherbrooke. In November, CARCAJOU lost some of its personnel to the Joint Organized Crime Investigation Unit (JOCIU), a newly formed elite squad of investigators from the MUCPD, the QPF and the RCMP, overseeing CARCAJOU and FAUCON. Operation FAUCON's mandate will be to deal with Italian-based organized crime and proceeds of crime.

Ontario has the largest number of outlaw motorcycle gangs, i.e. 13, and the largest contingent of outlaw motorcycle gang members. In spite of a lucrative drug trade, the Hells Angels have not succeeded in setting up a chapter in this province, as they have been too busy fighting the Rock Machine. Intelligence indicates that the Rock Machine have set up a chapter in Kingston, while the Hells Angels are allegedly controlling drug trafficking in the Cornwall area through the Evil Ones, one of their puppet clubs.

The Halifax Chapter of the Hells Angels is the only one east of Quebec. The Hells Angels exert control over most of the criminal activities in the Atlantic Region, particularly the drug trade. The only other outlaw motorcycle gang in Nova Scotia, the Undertakers of

Dartmouth, is entirely controlled by the Hells Angels. This also true for the Bacchus of New Brunswick.

On the prairies, the Hells Angels have ties to Manitoba and Saskatchewan and have recently established their first chapter in Alberta. The five Hells Angels chapters in British Columbia meanwhile are extraordinarily wealthy and are involved in most forms of criminal activity on the West Coast, including drug importation and distribution. They are also active money launderers, often reinvesting their illicit proceeds in legitimate business.

### **Outlook**

- The conflict between the Hells Angels and the Rock Machine will continue. For the time being, there is no indication as to which of the two gangs will prevail. The ferocity of this war has slowed down the criminal activities of both groups, particularly drug trafficking.
- In December 1997, the Montreal Chapter of the Hells Angels will celebrate the 20<sup>th</sup> anniversary of its foundation. This event should bring about several activities within the organization, particularly on an international scale.
- Besides their known criminal activities, such as drug trafficking, the smuggling of tobacco and alcohol, prostitution, theft and extortion, the Hells Angels make use of extensive international financial networks to launder the proceeds of their illegal activities.

## **Annual Report on Organized Crime in Canada - 1997**

# **COLOMBIAN-BASED ORGANIZED CRIME**

### **Highlights**

- Colombian-based trafficking groups continue to play a dominant role in the Canadian cocaine trade. They also control multi-million dollar laundering operations in Canada.

### **Current Situation**

Colombian-based trafficking groups continue to play a dominant role in both the Canadian and international cocaine trade. While many are associated with established groups in Colombia, they continue to function with a large degree of autonomy. Alliances often exist between groups even when those groups are linked to different parent organizations back in Colombia. As well, links with non-Colombian groups, particularly Italian-based criminal organizations, are often developed.

The Colombian-based groups active in Canada have not been affected by the incarceration of the leaders of the Cali mafia. Their main challenge now lies in protecting their monopoly from other emerging cocaine traffickers.

Colombian cocaine mafias are not monolithic structures as is commonly believed, but are organized as a series of unique entities, each headed by a single trafficker. These groups will agree to co-exist within a specific area, like Cali or Medellin. This leads to a mutually advantageous relationship since it allows the traffickers to concentrate on profits rather than turf wars. The organizations can utilize each other's expertise to avoid the need for sub-contracting and duplication of effort, thereby reducing both the cost and the risk of doing business.

Colombian-based cocaine trafficking groups are firmly established in Canada. They continue to make use of commercial enterprises as cover for their illegal activities, blending into already existing Latin American business communities in a number of large cities. These Colombian-based groups distance themselves from the drug trade as much as

possible, acting as facilitators and go-betweens rather than as traffickers. They separate drug and money transactions and rely upon intricate money-laundering networks to move drug money offshore.

In September 1995, police in British Columbia seized 305 kilograms of cocaine. This seizure constituted part of a much larger shipment of 700 to 1,000 kilograms that had been orchestrated by the Hells Angels and the Colombians in Vancouver. In February 1996, 400 kilograms of cocaine were seized in Vancouver from a cargo container of cookware originating in Colombia. Police effected a controlled delivery to a Toronto warehouse that had been rented by a group of Colombians. Information garnered from a seemingly unrelated 38 kilogram cocaine seizure in Cambridge, Ontario led back to the same warehouse. Evidence found at both locations demonstrated that the group had managed to distribute over 350 kilograms of cocaine successfully.

### **Outlook**

- Colombian-based trafficking organizations represent a significant challenge to law-enforcement. Their intricate trafficking and money laundering networks are difficult to penetrate, particularly as they continue to use non-bank financial institutions to launder their criminal proceeds in Canada.
- Colombian-based criminal organizations are also problematic due to their willingness to work with other criminal organizations regardless of ethnic background or ideology.

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# CONTRABAND SMUGGLING

### Highlights

- Virtually all of the major organized crime groups in Canada have participated in smuggling activity, either individually or in cooperation with other groups.
- The financial impact of the contraband trade is massive. During the three peak months of 1996 a major smuggling operation, based in Ontario but with both national and international connections was dismantled. It is estimated that the criminal organization involved made a profit of approximately \$1.1 million. This, in turn, would translate into government tax revenue losses of about \$1.9 million.

### Current Situation

Like the drug trade, contraband smuggling has become a major source of revenue for organized crime. Most of the criminal groups in Canada are involved, both separately and cooperatively, in smuggling operations. While tobacco and alcohol remain the most popular, the range of commodities being handled is constantly increasing with the only consideration being the potential of the commodity to command maximum profit. Among the most recent goods being smuggled are such diverse items as jewellery and precious stones, stolen vehicles, weapons, animal parts, cigars, and even illegal migrants. A substantial market for each of these products/services exists, either within or outside Canada. Also, many are highly taxed, placing them beyond the reach of most individuals.

Each region of the country is affected by the contraband trade. In some areas, the operations are loosely organized, even familial in nature. Others are major criminal enterprises with well-entrenched networks and international links. One organization, whose alleged leader was arrested in the United States and is currently the subject of a Canada-wide arrest warrant, was responsible for smuggling tobacco and alcohol from the US to Canada. It is estimated that up to \$100 million in profits has been realized by this group since 1992.

While commodity sources vary according to the product and the geographic situation of the smuggling organizations, most alcohol originates from the United States. As for tobacco products, a large percentage is Canadian-made goods exported from the United States which have been diverted to the Canadian black market. Significant price differentials for cigarettes have created a thriving interprovincial traffic. The cost of a carton of cigarettes ranges from around \$26.00 in Ontario and Quebec to over \$50.00 in Newfoundland. Foreign (mainly US and British) and Aboriginal-manufactured brands constitute a lesser segment of the contraband tobacco market.

Groups formerly associated with the drug trade are often involved today in contraband tobacco and alcohol. There are numerous reasons for this, the two most important being that the profits are high and that the required infrastructure is already in place. The public perception of the contraband trade as relatively harmless and the comparatively lenient penalties if caught undoubtedly play a role as well. Reports of the willingness to exchange illicit drugs and weapons for contraband tobacco serve as further evidence of the linkage between these worlds.

As stated above, many Canadians do not view the contraband trade as "real crime." Thus, many agencies throughout Canada are attempting to inform the general public of its widespread repercussions. These include the fact that legitimate businesses are forced to compete with contraband dealers, the serious criminals involved in smuggling operations and the links between profits and the perpetuation of more easily identified crimes.

### **Outlook**

- The potential profit of the contraband trade will continue to be irresistible to both large- and small-scale criminal groups. Activity which appears to be reasonably innocent in the eyes of a significant number of people has proven to have far-reaching adverse effects, and legitimate business will be forced to compete with a growing black market.
- Contraband smuggling operations will increasingly resemble the illicit drug trade. Major figures will maintain distance from contraband, making it difficult to obtain evidence of their roles.
- Smuggling organizations will continue to evade investigation and prosecution by switching routes and commodities with relative impunity.

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## **COUNTERFEIT ACTIVITY**

### **Highlights**

- Counterfeit credit card fraud losses reached \$80 million in 1996, an increase of \$8 million over 1995.
- The \$10 note now accounts for 57 percent of reported counterfeit currency activity. Meanwhile, the \$20 note accounts for 31 percent and the \$50 note six percent of counterfeit activity. Both are increasing, however.
- Criminal organizations involved in counterfeit credit cards, currency and documents are highly mobile, making it extremely difficult to accumulate information on their activities. Their increasing use of advanced technology will present further difficulties for law enforcement in future.

### **Current Situation**

Canada, particularly Toronto, is a major supplier of counterfeit credit cards for North America and the world. Canadian losses in 1996 are \$80 million; an increase of \$8 million over 1995. At least 50 percent of Canadian-related counterfeit credit card activity now occurs outside Canada. This complicates investigations by increasing the number of jurisdictions involved. There have been a number of successful counterfeit credit card investigations, but the problem is still a concern to the credit card industry.

A small number of high quality counterfeit one dollar coins have been seized in Toronto. Despite their low denomination, a major increase in counterfeit one dollar coins can effect the integrity of the genuine coin. Casinos are being used as locations to distribute counterfeit coins due to the large volume that is passed daily.

The counterfeiting of US currency is still an important issue worldwide. The ratio of Canadian to US currency reported to Canadian police is 85 percent Canadian to 15 percent

US, a reversal of last year's statistics likely attributable to two large seizures of US currency in 1995. The 1996 statistics are more representative of Canadian counterfeit activity. The total 1996 figures for counterfeit Canadian currency are up by 30 percent over the 1995 figures and will likely increase further by year end.

Canadian police are also examining large quantities of genuine notes. The general public is becoming more aware of the possibilities of counterfeits and is questioning the validity of notes more often. Law enforcement has also been increasing enforcement and education efforts, which have resulted in increased awareness of counterfeit Canadian and US currencies. With increasing globalization, Canadians will have to be aware of the potential of encountering other counterfeit foreign currencies as well.

Law enforcement can expect to see an increase in the use of scanners, computers and graphics software packages to produce counterfeit documents and bank notes.

Due to the increased availability and use of advanced technology, the counterfeiting of documents used to facilitate criminal activity is increasing. There has been an increased use of false passports, drivers' licences, birth certificates, as well as other identification documents. Such documents are used to create false identities, facilitating illegal immigration, fraud and other forms of criminal activity.

### **Outlook**

- Counterfeit credit card fraud will continue to be a problem in Canada, with criminal organizations adapting their methods to counter new security measures and take advantage of jurisdictional difficulties.
- Intelligence indicates that the \$10 note is now the most counterfeited Canadian note and the \$20 and the \$50 notes are increasing.
- Increasing availability of scanners, computer graphics software and high quality colour printers will make counterfeiting of documents and currency easier, and within the capabilities of more criminal organizations..

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## **FIREARMS AND ORGANIZED CRIME**

### **Highlights**

- Criminals are acquiring more powerful and automatic firearms.
- The sources of firearms used in criminal activity include: Rifles/shotguns acquired at legitimate dealers; stolen firearms; and smuggled firearms.
- The United States is the main source of legal and illegal firearms entering Canada.

### **Current Situation**

Organized crime groups, and individual criminals, have access to a wide variety of firearms with an increasing predilection for rapid fire submachine guns. The firearms are usually either smuggled into Canada or acquired through criminal activities such as break and enters and thefts. While handguns are increasingly the firearm of choice, there is an abundance of legitimate imported long guns which eventually end up in the hands of criminals and are used in the commission of crimes.

The number of illegal firearms in Canada is unknown. However, there are currently 1.2 million registered firearms in Canada. Approximately 65,000 firearms have been reported stolen over the last twenty years and over 5,600 reported lost or missing. This represents a significant repository of firearms that could be used in criminal activity. As well, numerous firearms have been smuggled into Canada. Unlike an illegal commodity such as cocaine, which is consumed and must be continually replaced, a single firearm can be continually used by the criminal until discarded or seized by the police.

**T**he United States is the source of most legal and illegal firearms in Canada. It is relatively easy for Canadians to acquire firearms in the United States either through a U.S. accomplice or "straw" purchaser, or directly by themselves. With over 127,000 federal firearms licensees in the United States and less stringent rules and regulations governing their sale, it is impossible to eliminate this firearms source for the illegal Canadian market.

**F**irearms are smuggled into Canada through normal ports of entry and the numerous unmanned border crossings. Intelligence continues to point to aboriginal reserves, in particular Akwesasne, as conduits for illegal firearms entering Canada. Firearm couriers are not necessarily habitual criminals. For example, senior citizens have been intercepted with illegal firearms. The smuggling of firearms into Canada appears to involve individuals or small groups moving shipments containing between three and twelve illegal firearms.

**T**here are individuals in Canada attracted to the U.S. "militia" philosophy or who espouse similar anti-government convictions. These people view the possession of all types of firearms as necessary to the maintenance of their ideology and concepts of personal freedom. Consequently, these individuals are also involved in the illegal firearm trade in Canada. A recent example of this activity was the discovery at Smithers, British Columbia in October, 1996, of a cache of firearms, ammunition and survival equipment, which was eventually linked to militia activists in Texas.

**I**ncreasingly, handguns are being used in the commission of crimes. In 1986 one fifth of homicides were done with a firearm but by 1996 this had increased to one half of all homicides. Semi automatics are increasingly the firearm of choice for criminals. In the past, a 9mm or .357 Magnum firearm was displayed to demonstrate power and prestige. Now it is often a MAC 10 or TEC-9 machine pistol. However, small caliber and cheaper firearms such as the .32 or .25 are also used by criminals since they are easily concealable in pockets and less costly if discarded after the commission of a crime.

**F**irearms are a common commodity used by all organized crime groups for their personal protection; their need to demonstrate power and display prestige and for the commission of criminal acts. This will continue to be a constant factor in their behaviour and will represent continuing risk to law enforcement officers and the general public.

## **Outlook**

- Criminals will continue to acquire more rapid fire firearms.
  - Firearms will continue to be the constant companions of criminals in their daily activities.
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## **THE ILLICIT DRUG TRADE**

### **Highlights**

- Cannabis products followed closely by cocaine remained the most popular illicit drugs in Canada in 1996. The demand for chemical drugs is strong but varies considerably according to the availability of other psychotropic substances.
- The threat to Canada from heroin continues to evolve as more drug source and transit countries emerge and as demand increases. Over 1996, the street level supply remained stable, with minor variations in price, depending on purity and country of origin.
- Asian-based organizations with ethnic ties to Hong Kong, Taiwan, the People's Republic of China and, more recently, Vietnam maintain a firm hold on the heroin market in Canada. Groups with links to India, Afghanistan, Pakistan, Iran and Turkey remain secondary importers.
- Hydroponic cultivation of marihuana has experienced an unprecedented boom. Canadian hydroponic marihuana is now being exported to the United States. Marihuana originating from Mexico, Colombia and Jamaica still accounts for an important share of the Canadian market, however.
- Drug trafficking still constitutes a primary source of revenue for organized crime groups in Canada. Criminal organizations rely on each other's resources to establish contacts in source and transit countries, to provide logistics for low risk importation and delivery of drugs, and to distribute the products.
- Italian-based organized crime is involved in upper echelon importation and distribution of many types of drugs. Asian-based groups are active in heroin and, increasingly, cocaine trafficking from importation to street level. Outlaw motorcycle gangs play a major role in large-scale distribution of cannabis, cocaine and chemical drugs. Entrepreneurs not aligned with any of

the major crime groups are also important suppliers of drugs to the Canadian market.

- Virtually all of the major organized crime groups in Canada have participated in smuggling activity, either individually or in cooperation with other groups.

## GENERAL

In 1996, the Canadian Centre on Substance Abuse completed a study into "The Costs of Substance Abuse in Canada". The economic costs directly attributed to illicit drug use for 1992 are estimated at 1.37 billion, or \$48 per Canadian. The largest cost (\$823 million) is lost productivity due to morbidity and premature death, and a substantial portion of the costs (\$400 million) are for law enforcement. Direct health care costs are estimated at \$88 million. These figures do not take into account the costs (enforcement and losses) of all crime (thefts, murders, domestic violence, etc) indirectly associated with the use of illicit drugs. Furthermore, the authors of the study recognized the paucity of the data available and adopted a conservative approach in reaching the above estimates. To put things into perspective, total policing expenditures for Canada are estimated at \$5.394 billion for 1992.

### Outlook

- Over the next two years the availability and purity of heroin on the Canadian market will remain high. As a consequence, the number of addicts is expected to rise gradually. Over the longer term, this will create a stronger demand. Prices will remain stable and likely even decrease.
- The profits generated by the cultivation of marihuana will encourage criminal groups to increase their involvement in this illicit activity.
- The large-scale illicit drug laboratories uncovered in 1996 demonstrate the lucrative nature of this activity, its international ramifications and the increasing involvement of groups not aligned with any of the major crime organizations.
- Organized criminal groups, such as the Hells Angels in B.C. and the West End Gang in Montreal, maintain a strong presence at major container ports and have the resources to conduct extensive counter-surveillance upon the delivery of contraband. Internal conspiracies are also a significant problem on the waterfronts.



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## **CANNABIS**

### **Current Situation**

#### **- Marihuana -**

In 1996, hydroponic cultivation of marihuana reached unprecedented levels. The THC content of hydroponically grown marihuana remains high (from 10 to 20 percent), slightly greater than that of imported marihuana. Hydroponic cultivation facilities are increasingly sophisticated. A warehouse in a suburban Montreal industrial park housed a hydroponic facility with 11,000 plants in full bloom. This installation was traced to the Rockers, an outlaw motorcycle gang aligned with the Hells Angels.

Hydroponic cultivation has soared in the Provinces of British Columbia, Alberta and Quebec. A large portion of the crop in B.C. is exported to the United States where one pound of marihuana costs approximately CDN \$6,000 in the United States, as opposed to \$3,000 in British Columbia.

In June and July, police and Customs officers in Vancouver seized more than \$1.5 million in US currency linked to marihuana trafficking between Canada and the US.

Travellers returning to Canada with varying quantities of the marihuana in their luggage remain one of the primary methods of smuggling foreign marihuana into Canada. In June, a Nigerian organization attempted to smuggle into Montreal 3,000 kg of marihuana concealed inside a container shipment of palm oil en route from Africa.

#### **- Hashish -**

Hashish is imported into Canada in multi-tonne shipments either aboard motherships or

concealed in marine containers. Organized crime groups including Italian-based organized crime, the West End Gang and the Hells Angels cooperate in these large scale importation operations. In early 1996, two distinct shipments, one of 7.6 tonnes and one of 8.6 tonnes, were intercepted. Both marine containers originating in Pakistan entered Canada at the Port of Halifax en route to Montreal.

In May, the Drug Enforcement Administration (DEA), in cooperation with Canadian police, intercepted a shipment of 15 tonnes of hashish in Florida. A Montreal resident of Polish origin had conspired with three Dutch subjects to import the drugs to Canada. This shipment was part of a 50-tonne load carried aboard a mothership. In October, Canadian police boarded a yacht off Cheticamp, Nova Scotia, and seized close to 8 tonnes of hashish. The drugs apparently originated in Africa.

### **- Liquid Hashish -**

In 1996, there were a number of cases in which liquid hashish had been concealed aboard air carriers, particularly in the toilet compartment and behind panels. Such seizures suggest the collusion of airline employees, who have both the opportunity and the expertise to hide large quantities of contraband in such places.

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## **CHEMICAL DRUGS**

### **Current Situation**

The illicit chemical drug trade in Canada is thriving. It encompasses the clandestine manufacture and importation of chemical drugs, the diversion of licit drugs to the illicit market, the diversion and trafficking of precursor and essential chemicals. No major changes in the illicit chemical drug demand have been reported. LSD continues to be available across Canada while PCP is limited mainly to the province of Quebec and psilocybin to the Western provinces.

Outlaw motorcycle gangs continue to be the major organized crime groups involved in large-scale methamphetamine, PCP and LSD trafficking. Although there does not appear to be much demand for methamphetamine in Canada, it is expected that Canadian enforcement agencies will encounter more criminal activity in relation to this substance. With the forecasted increase in methamphetamine demand in the United States, more U.S. groups will travel to Canada to purchase precursors and even to set up illicit laboratories for the manufacture of this drug. Different organized crime groups in Mexico have already specialized in the manufacture and distribution of methamphetamine for the U.S. market. Canadian-based outlaw motorcycle gangs will undoubtedly take advantage of these developments and step up the supply of methamphetamine to the United States.

The smuggling of steroids into Canada remains a serious problem. Various techniques are used to move steroids into the country, although the postal system is the most popular. The importation of steroids into Canada from various points around the world, mostly Europe and former Soviet Bloc countries, does not appear to involve organized crime groups so far. According to U.S. authorities, however, Russian-based organized crime elements are major importers of steroids to the United States.

Police in Montreal effect regular seizures of Ecstasy (MDMA) and the drug is known to

be in demand in large cities in B.C. This drug is extremely popular among European teenagers. It is believed that this popularity could spread in Canada, particularly now that its manufacture has been documented in B.C. and in Quebec The Netherlands remains the single most important source of this drug in the world. Large Ecstasy seizures, even in Asia, can be traced back to this country.

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## **COCAINE**

### **Current Situation**

The availability and abuse of crack cocaine have continued to spread, particularly in the cities of Atlantic and Central Canada. Jamaican Posses have developed and maintained crack distribution networks within Southern Ontario, including Toronto, while increasing numbers of traffickers from the United States supply crack in Southwestern Ontario.

In June 1996, five kilograms of crack were seized from an individual arriving at PIA from Barbados. This is an unusual development as dealers have historically prepared the cocaine derivative on an "as needed" basis. The importation of crack implies that the existing supply networks have fallen short of the demand, particularly in Toronto and Southern Ontario.

### **Trafficking Groups**

Most organized crime groups in Canada are involved in cocaine trafficking at some level. Colombians still control much of the trade in the cities of Atlantic and Central Canada and have suffered no repercussions from the series of arrests of key Cali mafia leaders by the Colombian government. Colombian-based organized crime groups are essentially decentralized organizations that are not dependent on a rigid hierarchy in order to function. Italian-based organized crime is also heavily involved in financing and planning major cocaine importation operations, as are the Hells Angels. Other outlaw motorcycle gangs and their associates remain active in street sales in bars, discotheques and striptease clubs. Many of these groups are closely linked to the Hells Angels in Quebec, Nova Scotia and British Columbia and receive cocaine from them.

Criminal elements within various Caribbean immigrant communities are still involved in street level cocaine sales. In Western Canada the involvement of Asian-based crime

groups in cocaine trafficking is increasing. Iranians, Romanians, Lebanese, Jamaican, Korean and South Americans are increasingly involved in the importation and trafficking of cocaine while Chinese, Vietnamese and Laotians are stepping up their connections at all levels of cocaine trafficking. Vietnamese traffickers from Alberta control the distribution of cocaine in the Northwest Territories.

**F**ormerly, organized crime groups in Mexico would only act as support elements to Colombian mafias in the transport of large shipments of cocaine to the United States. The Mexican crime groups are now conducting their own large-scale cocaine importation to the United States. Canadian authorities will have to monitor relationships between these Mexican mafias and members of major organized crime groups in Canada.

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## **HEROIN**

### **Current situation**

Police in Vancouver report that street-level heroin trafficking has increased over the 1995/1996 period, in amounts of up to 3 or even 4 kilograms from the previous 1 kilogram average. Commercial shipping lines are being used increasingly in the importation of large quantities of heroin.

In Alberta, drug trafficking continues to be the major criminal enterprise. An increase in heroin availability has been noted. Heroin users generally remain in the larger centres of Edmonton and Calgary. It is anticipated that while Asian-based criminals and gangs will expand their involvement in cocaine trafficking, they will continue to control the heroin market in this province.

In Ontario, heroin seized over the past year at Toronto's Pearson International Airport (PIA) has originated in both Southeast Asia (SEA) and Southwest Asia (SWA). In the Toronto region, there are a number of criminal figures with ethnic ties to drug contacts in SEA and SWA. It cannot be confirmed what percentage of the heroin seized was for local consumption.

In the Province of Quebec, law enforcement agencies reported a marked increase in street-level heroin availability and purity. It is believed that Asian-based organized crime groups are competing with other organized crime groups for a share of the drug territory in the Montreal region.

Canada does not have a testing program to establish the origin of seized heroin, because of its prohibitive cost. When there is no intelligence on the importation route, the source of the drug is determined by the origin of the group or trafficker involved. This can be

misleading because most trafficking groups will obtain heroin wherever it is available.

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## **ILLEGAL MIGRATION**

### **Highlights**

The smuggling of illegal migrants is a particularly lucrative enterprise for organized crime. Large sums of money can be extracted from the vast number of people wanting to relocate and the legal consequences, if caught, are negligible.

Criminal organizations established for the specific purpose of smuggling illegal migrants are currently responsible for the bulk of migrant smuggling in Canada.

### **Current Situation**

Illegal migrant smuggling is big business. Syndicates involved in this trade operate all around the world in such countries as Iran, India, the Peoples Republic of China (PRC), Sri Lanka, Pakistan, Hong Kong, Thailand, Nigeria, Brazil, Russia, the United States and Canada.

Syndicates provide "package deals" for their clients, which include counterfeit documents and airline tickets, as well as the use of safehouses and contacts throughout their journey. A fee ranging from \$5,000 to \$50,000 is charged per individual. A syndicate which was dismantled in November 1996, for example, was charging \$45,000 to bring migrants from the PRC through Canada into the United States.

In most cases, migrant smuggling organizations operating in Canada are either independent of or only loosely affiliated to major organized crime groups. On the

international front, however, transnational organized crime groups are involved in most aspects of migrant smuggling.

Smuggling networks and organizations assist and support criminal extremists from their own, or other religious or ethnic groups by providing access to established smuggling networks. Criminal extremists also take advantage of existing drug or contraband smuggling routes and networks to smuggle extremists and materiel.

## **Routes**

Identifying routes used by the organizations which smuggle illegal migrants has always been difficult, since they change rapidly, almost from month to month. Smugglers have been able to react to interdiction activities with relative ease to avoid transit sites and points of embarkation where they may encounter enhanced scrutiny and questioning or where visas may be required.

Many illegal migrants use Canada as a transit point to reach the United States.

### **Outlook**

- Migrant smuggling offers organized crime groups the double incentive of high returns on investment and relatively minor sentences in the case of conviction. This may prompt organized crime groups in Canada to add migrant smuggling to their current illegal activities.
- Organized crime groups involved in the production of counterfeit identity documents may become a resource for illegal migrant smuggling organizations.

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## **PROCEEDS OF CRIME/MONEY LAUNDERING**

### **Highlights**

- Organized crime groups take advantage of two key weaknesses in Canada's anti-money laundering efforts: the absence of currency and monetary instruments reporting legislation and the absence of mandatory suspicious transaction reporting legislation.

### **Current Situation**

Money laundering presents a constantly evolving threat to law enforcement agencies in Canada and abroad. Criminal organizations adapt to changing legal environments and take advantage of money laundering opportunities worldwide to conceal proceeds of crime successfully. The nature of the major laundering operations now conducted in Canada reflects this international trend. Many powerful organized crime groups take advantage of two key weaknesses in Canada's anti-money laundering efforts. The absence of currency and monetary instruments reporting leaves Canadian law enforcement agencies with few legal tools to intervene effectively against currency smuggling. Similarly, the absence of mandatory suspicious transaction reporting makes it extremely difficult for Canadian law enforcement agencies to detect and monitor suspicious banking transactions.

Many criminal organizations smuggle currency out of Canada to secure the payment of illicit drug and contraband purchases or to initiate money laundering operations. By physically carrying cash shipments out of Canada, organized crime groups leave no paper trail in this country and make it extremely difficult for law enforcement agencies to trace crime proceeds.

Currency smuggling operations have also been established to transport proceeds of crime into Canada. In the summer of 1996, Canadian police seized approximately \$1.5 million in suspected drug money smuggled into the Vancouver area from the United States. Canada is also used as a transit point for proceeds of crime. Canadian police seized \$1.2 million from individuals travelling from Japan to Jamaica via Vancouver's International Airport in the summer of 1996.

In order to distance themselves from the proceeds of crime, organized crime groups often wire transfer illicit funds worldwide from bank account to bank account. Such international bank-to-bank transfers are difficult to trace and monitor, particularly in countries like Canada, where mandatory suspicious transaction reporting legislation does not exist. The growth of financial services, including the birth of Internet banking, may well create new money laundering opportunities and facilitate the international transfer of illicit funds. The full impact of such growth on laundering trends and patterns in Canada and abroad remains to be seen, however.

To better combat money laundering, the federal government created ten new Integrated Proceeds of Crime (IPOC) Units in 1996. These units combine the resources and expertise of federal and local police, Canada Customs, federal Crowns and forensic accountants to investigate and prosecute proceeds of crime cases. The ten new IPOC units are located in Edmonton, Calgary, Regina, Winnipeg, London, Ottawa, Quebec City, Fredericton, Halifax and St. John's, joining existing IPOC units in Vancouver, Montreal and Toronto.

### **Outlook**

- Major criminal organizations will continue to exploit legal and regulatory shortcomings to launder proceeds of crime in Canada. Some of the more powerful and sophisticated organized crime groups operating in Canada will take advantage of the various services offered on the Internet to communicate and to carry out money laundering operations.

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## **SECURITIES FRAUD**

### **Highlights**

The Internet is now being used, on a small scale, for the promotion, issue, distribution and trading of securities. This environment will be difficult to regulate and may lead to an increase in securities fraud and manipulation.

### **Current Situation**

**R**aising venture capital for small business is both expensive and difficult, particularly if the amount of capital required is small. Reports from the United States indicate that capital is now being raised by offering issues of shares over the Internet. A prospectus is posted and the shares are ordered, purchased and traded, all over the Internet. All of the transactions take place outside of the normal industry regulatory realm, therefore it is unclear how existing regulations and laws will be applied to them.

**I**n the past, the markets most vulnerable to manipulation and fraud have been venture capital and over-the-counter markets. Increasing use of the Internet could provide another avenue for criminals and lead to an increase in market manipulation and fraud.

## **Outlook**

Increasing fraud on the Canadian securities markets can have profound impact on the Canadian economy. Market surveillance, strong regulations and a strong law enforcement presence are critical in ensuring the stability of our financial markets. Increased use of the Internet in this regard will make both surveillance and regulation extremely difficult.

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