



CISC 2005 Annual Report on Organized Crime in Canada **Report Highlights**

Introduction

The *CISC Annual Report on Organized Crime in Canada* is published to inform the public about the threat of organized and serious crime and its negative effects on Canadian society and the economy. It also highlights the characteristics of and methods used by organized crime groups in Canada as well as the criminal markets in which they operate.

One of CISC's goals in publishing the report is to engage the public's support of law enforcement efforts in the fight against organized crime, and encourage further partnerships between the public, law enforcement agencies and policy makers.

In recognition of the changing and increasingly complex dynamics of organized and crime and its illegal activities, CISC has re-focused the format and content of the report to provide the public with a better understanding of the direct and indirect negative effects of criminal activities on the lives of Canadians and their communities.

Organized crime groups are dynamic, adapting to market forces which include competition from other organized crime groups, technological innovation and action by law enforcement. Organized crime groups are largely networked and frequently engage in co-operative ventures, some of which are temporary in nature, based upon mutual need. Some organized crime groups have the capability to exploit borders to facilitate the movement of commodities into and out of Canada through various means of transportation. Overwhelmingly, organized crime groups are opportunistic, exploiting loopholes in legal markets or selling any illicit good or service that will generate a profit. They conduct their activities without consideration for the good of individuals or society.

As the voice of Canada's criminal intelligence community, the CISC network gathers and shares intelligence with Canadian law enforcement agencies to support effective responses to the threat of organized and serious crime.

Characteristics and Methods

Structure and Composition

- The criminal operations of organized crime groups are determined by opportunity. They may trade in illicit products and services that generate a profit, or exploit legitimate businesses and business professionals to assist them in their criminal ventures.
- Criminal markets are dynamic and evolve over time as they react to market forces.
- The dynamic nature of their activities requires organized crime groups to network with each other, usually due to one group's access to a key product, or ability to provide a needed service.

Violence and Intimidation

- Criminal activities generally involve violence or threats of violence as a means to;
 - enforce illicit transactions or resolve disputes;
 - assert dominance over other groups or individuals;
 - maintain internal order and loyalty to a criminal group; and
 - intimidate law enforcement, the judiciary and witnesses to criminal actions.
- Street gangs have a high propensity for violence, often using illegally acquired firearms. Eruptions of violence, particularly in large urban centres, often result in injury or death to innocent bystanders.

Cross Border Movement

- Organized crime groups often carry out operations across wide geographical areas, crossing provincial and international borders.
- The major metropolitan areas of southern Quebec and Ontario, and the B.C. Lower Mainland form the primary criminal hubs in Canada where the most powerful groups exert their influence and facilitate the connection between regions and the national, and international criminal marketplace. The country's other urban centres act as secondary criminal hubs in contraband distribution and criminal influence over more limited spaces.
- Illegal drugs and other contraband is the mainstay of the Canadian criminal marketplace, making the exploitation of borders key in successfully moving these commodities. Examples of contraband include drugs, tobacco, firearms and undeclared or counterfeit currency.

- Illicit goods are sometimes transported through marine ports, airports, and by land,

with the knowledge of some employees, who either willingly or by intimidation facilitate illicit activities.

Technology and Crime

- The growth in the number and type of technology-related crimes, particularly computer-related crimes, reflects the exponential increase in the number of Internet users and the expansion of e-commerce globally.
- Individuals and businesses that rely on technology, e-commerce, and the on-line storage of valuable personal, financial and intellectual property are the targets of organized crime groups.
- The borderless nature of technological crime makes it difficult to identify its scope within Canada or globally. It is also difficult to investigate and prosecute crimes committed across jurisdictions; a situation exploited by organized crime.
- The cost of responding to the threat or potential threat of computer-related crime is high. Users, including individuals, private business, and government, face degraded network performance, security risks, and increasing costs for technical support resources, including time-consuming repairs and upgrades.

Criminal Markets

- Not unlike legitimate businesses, organized crime groups trade in goods and services based on supply and demand.
- The trademark of a criminal market is its illegal nature, whether it be the good or service, or the actors (organized crime group or individuals) involved. Even if the actors, goods or services are not criminal, the transaction is. Some criminal markets, such as illicit drugs, are purely criminal, while others are the result of criminal exploitation of a legitimate process.

Contraband

- While there are several types of contraband, this year's report focuses on tobacco and firearms, which are legal commodities, but are exploited by organized crime through illegal diversion and sale of products.
- Contraband operations range from small-scale enterprises to large-scale operations that are often inter-provincial and/or international in scale and scope.
- Contraband markets result in lost tax revenues to government, and avoidance of

government regulations designed to guarantee a measure of quality control and public safety.

- Canada's strict firearm controls and regulations have driven criminals to develop illegal means to acquire firearms either from within Canada from domestic thefts or smuggled from a foreign country, most often the United States.
- Illicit firearms can have a dramatic and direct on individuals through intended and unintended homicides. They can affect communities by creating fear for personal and public safety.
- The cost of tobacco products reflects the significant government taxes applied to this product, making the illegal sale of tobacco products without added taxes more appealing to smokers.
- Smuggled tobacco products enter Canada primarily through Ontario and Quebec through a variety of transportation methods.
- The negative effects of contraband tobacco products include lost tax revenues, violence and intimidation in the theft of products, and potentially the lure of legal tobacco retailers into the contraband market.

Financial Crime

- Financial crimes, including money laundering, intellectual property rights (IPR) crime and identity theft are largely facilitated by technological advances, specifically in communication and information technologies. These types of crimes in particular take advantage of processes and institutions within the legitimate economy.
- Organized crime groups in Canada increasingly use casinos, on-line casinos, white-label Automated Teller Machines and money service businesses such as currency exchanges to launder their money. Foreign-based crime groups are also using Canada as a place to launder money from activities outside of Canada.
- Money laundering undermines the legitimate economy, especially investor confidence in important Canadian markets, and reducing tax revenues owed to government.
- The nature of intellectual property makes it vulnerable to criminal exploitation. The rate of these crimes has been increasing, largely due to globalization in the production of, and consumer demand for, inexpensive brand-name consumer and luxury products.
- IPR crime generally falls under one of three categories:

- Violations of copyright such as piracy and counterfeiting of digital media;
 - Violations of trademark which involves counterfeiting of brand names; and
 - The theft of trade secrets such as design templates and production schematics.
- Technological advances have facilitated the production of high-quality counterfeit products, making it more difficult to distinguish fraudulent from authentic products.
 - IPR crime results in substantial financial losses, can undermine consumer confidence in products, and create hazards to those who purchase counterfeit goods, particularly medicines, electrical devices and auto parts.
 - Identity theft refers to the illicit gain and use of another person's personal and financial information in order to commit fraud. It can include mail theft, stealing from residences, misuse of personal data in business transactions, and theft from company and government databases.
 - Enhanced technology means that more information is stored and transmitted electronically, enlarging the market for criminals and providing them with more tools available for the commission of crimes.
 - Direct and indirect losses from identify theft in Canada are significant. There are considerable financial costs to financial institutions, businesses and consumers alike. Victims are often left with damaged credit ratings and disrupted personal and financial records.

Human Beings as a Commodity

- Migrant smuggling and trafficking in persons are sources of significant profit to organized crime groups. There is an important distinction between the two; smuggling implies consent while human trafficking does not.
- Migrant smuggling and human trafficking both present health and safety risks to its victims. Those recovered by law enforcement or border officials require assistance from government and social services.
- The illegal entry of migrants into Canada threatens the integrity of the formal immigration process, and increases the cost of the legitimate process when resources are diverted to deportation and immigration hearing.
- The sexual exploitation of children (SEOC) is a complex issue that involves children in Canada and internationally. SEOC is generally recognized as including the criminal activities of child pornography, child prostitution, child sex tourism, and trafficking for sexual purposes.
- Information and communication technologies have facilitated opportunities to exploit

children by fostering connections between like-minded individuals and identifying potential victims, as well as a way to exchange and store vast amounts of data.

- Internationally, the production and dissemination of child pornography is a growing illicit market in which organized criminals are involved.
- Small groups of organized criminals and lower-level organized crime groups are involved in child prostitution, which is present in many larger urban centres in Canada.

Illicit Drugs

- The illicit drug market affects all communities, whether rural, suburban or urban, in varying degrees throughout Canada. Illicit drug use often spurs criminal activities such as robbery, break and enter, fraud, and violence against individuals to support the habits of users.
- The production, distribution and sale of illicit drugs comprise one of the most lucrative financial criminal endeavors undertaken by organized crime.
- The illicit drug market is highly competitive and can also lead to violence between organized crime groups, or between dealers and users.
- The manufacture of illicit drugs, particularly synthetic drugs and marihuana, pose threats to the environment, public safety, law enforcement and the health services sector. Marihuana grow operations also pose danger to nearby residences due to the increased threat of fire from electrical bypasses.
- Aside from significant quantities of marihuana and some synthetic chemical drugs, the bulk of illicit drugs consumed in Canada originates abroad and is smuggled into the country.
- In addition to the negative effects of illicit drug use on the user and its impact on family and friends, it creates additional burden on the health care system, demands greater law enforcement resources, and may incite conflict and violence between users and organized crime groups,

Motor Vehicles

- This criminal market is not restricted to automobiles, but includes all types of motorized vehicles from all terrain vehicles (ATV) and motorcycles, to boats and farm equipment.

- Organized crime is becoming increasingly involved in this type of theft due to the lucrative nature of this crime. Successful vehicle theft operations require an extensive network of facilitators and service providers from theft to resale, stripping the vehicle for parts and resale, and shipping either vehicles or parts overseas on cargo containers to waiting buyers.
- Vehicle theft is not a victimless crime; the Insurance Bureau of Canada estimates that vehicle theft costs insurers and the public almost \$1 billion per year, when all related costs are included. There are also costs associated with reporting, processing and settling vehicle insurance claims, which affects policy holders, insurance companies, law enforcement investigations, court processes, corrections' services and taxpayers.

Natural Resources

- Although the illicit exploitation of natural resources presents an opportunity to organized crime groups in Canada, this type of crime is more common internationally than in Canada due to the regulatory oversight of all levels of government and their agencies.
- In Canada, the environmental crime category encompasses a diverse set of offences such as the trade in endangered species, the illegal, unreported and unregulated harvesting of flora, fauna and minerals, and dumping of hazardous or other waste.
- Organized crime tends to become involved in environmental crime largely because there are shortages of a commodity. Their involvement in activities such as poaching and wildlife trafficking threatens the ecological diversity of the country and the planet, with long-term effects.
- Canada's newly emerging diamond industry is a potential source of criminal activity. Law enforcement continues to pro-actively monitor the potential exploitation by organized crime.
- Organized crime could potentially infiltrate the diamond industry through co-opted or wholly owned mining, exploration, and cutting and polishing firms.
- Potential threats from organized crime that could impact on the Canadian diamond industry include misrepresentation of high-quality fake stones as real diamonds, use of polished stones as a means of currency for transport, investment in jewelry stores, increase in smuggling of rough stones, and opportunistic theft at mine sites or while in transit.

- The exploitation of the Canadian diamond industry by organized crime could negatively impact the integrity of Canadian-mined diamonds, resulting in loss of integrity, and financial loss to consumers and investors.

Conclusion

The economic forces of supply and demand which drive legitimate business are just as relevant in the illegitimate marketplace. Organized crime groups will continue to focus on generating profit from the illicit sale of goods and services. Their activities are diverse and opportunistic, functioning as an illegal model of a market-driven economy. There are negative social and economic effects associated with each and every type of organized crime activity.

Whether hidden or apparent, the adverse effects of organized criminal activity touch all Canadians. This report has sought to highlight only some of the innumerable ways in which organized crime directly or indirectly affects Canada, its institutions, its citizens and communities.

A collective response against organized crime includes strategic co-ordination, commitment to intelligence and timely communication. The Canadian law enforcement community will continue its coordinated efforts to combat organized and serious crime in Canada, and to reduce its negative effects on individuals and communities throughout the country. Intelligence-led policing, guided by the CISC community, is Canada's best tool to combat organized crime.

The complete 2005 CISC Annual Report on Organized Crime in Canada is available at:
www.cisc.gc.ca