



# 2006 CANADA / US ORGANIZED CRIME THREAT ASSESSMENT



Drug Enforcement Administration  
DEA



Federal Bureau of Investigation  
FBI



Royal Canadian Mounted Police  
RCMP



## INTRODUCTION

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Canada and the United States have always been attractive targets for criminal organizations seeking profitable markets. Prosperous, broad-based economies and open societies provide opportunities for criminal organizations to establish themselves. From this initial foothold, fledgling criminal interests may become entrenched in the legitimate and illegitimate economies of Canada and the United States. Both countries face the difficult task of controlling very large perimeter areas. Coastal areas must be secured against criminal and security threats. The integrity of the Canada / US border must be maintained while still allowing for the free flow of people and goods.

The threat from organized crime can be subtle and insidious or violent and overt. It has profound social, economic and political consequences. It compromises the normal function of economic, government and social institutions. Organized crime can undermine democratic processes and corrode trust in public institutions. It is driven by greed and perpetuates itself through addiction, enslavement and the exploitation of human vulnerability.

Legal and illegal immigration, drug and contraband smuggling, and financial crimes remain key factors in assessing organized crime activity in Canada and the United States. Immigration has always been a driving force in the historical evolution of Canada and the United States. However, impoverishment and lack of language skills and social networks can force immigrants to become a readymade labor pool for criminal organizations and their illicit activities. Drug smuggling has always been one of the financial engines driving organized crime and a major component of the illicit traffic across the Canada / US border. More recently, contraband such as tobacco, alcohol, counterfeit goods and firearms have become critical sources of criminal revenue and a challenge to law enforcement in both countries. Finally, Canada and the United States are leading economic powers. Canadian and US stock markets, financial institutions, large and small businesses and their vast consumer bases are all targets for fraud, manipulation and other forms of financial crime.

## NOTES ON USAGE

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**Throughout this document:**

- Priorities and other listings are presented in alphabetical order;
- The term “migrants” is used instead of “aliens” in the context of smuggling; and
- The letter “y” at the end of Russian terms indicates a plural.

## KEY FINDINGS

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- Asian Organized Crime (AOC) groups are distinguished by a high level of criminal entrepreneurship. They use both personal relationships and specific business and technological skills to maximize profit.
- AOC is active throughout Canada and the United States, from major metropolitan areas and their suburbs to isolated rural communities.
- Over the past decade, pre-existing underground economies of the Former Soviet Union (FSU) and its satellite states have transformed into fully realized transnational organized crime syndicates.
- Increasingly, Russian organized crime is characterized by fluid, cellular-type structures. Senior members / associates of Russian criminal groups appear to recognize and accept the hegemony of a single “criminal authority” who plays an important role in dispute resolution, decision-making and the administration of criminal funds.
- Italian Organized Crime / La Cosa Nostra (IOC / LCN) is the most mature form of organized crime in both Canada and the United States. Its ability to form alliances with and coopt other organized crime groups gives it global influence.
- In both Canada and the United States, IOC / LCN is distinguished by its strict, vertically integrated, hierarchical structure. The resulting discipline and efficiency permit these groups to focus resources and maximize profit.
- African criminal enterprises are engaged in a variety of low- to mid-level criminal activities which include a number of financial fraud schemes.
- Albanian criminal groups are engaged in a range of cross-border criminal activity, including drug smuggling and money laundering.
- US authorities have reported a significant decrease in seizures and availability of Canadian pseudoephedrine. This development is attributable to joint Canada / US law enforcement efforts and recent changes to legislation governing the sale of pseudoephedrine and ephedrine for export.

- Expanding financial, telecommunications, trade, and transportation systems that support global economies also provide abundant opportunities for criminal exploitation. Identity theft, money laundering and Internet fraud are a few of the financial crimes that are growing in scale, scope, and sophistication.
- While there are few concrete linkages between Canadian and US gangs, many street gangs appear to be evolving into significant criminal enterprises with international implications.
- Globally, human trafficking and migrant smuggling are the third largest source of revenue for organized crime, after drugs and arms trafficking. Women and children are particularly vulnerable to this form of exploitation.
- Middle Eastern / Southwest Asian criminal enterprises are typically loosely organized theft or financial fraud rings that increasingly use small, legitimate cash businesses to facilitate their activities.

## JOINT ORGANIZED CRIME PRIORITIES

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### **Asian Organized Crime**

Asian Organized Crime (AOC) groups, also referred to as Asian criminal enterprises, are fluid, multi-faceted and diverse. They are distinguished by a high level of criminal entrepreneurship. AOC groups use both personal relationships and specific business and technological skills to maximize profit. AOC includes Chinese groups like triads; loose criminal affiliations; migrant smuggling organizations; Vietnamese street gangs; Korean groups; and to a lesser extent, the Japanese Boryokudan or Yakuza.

AOC crime profiles range from low-skill activities like extortion and protection rackets; through home invasions, which require some planning; to sophisticated credit card fraud, counterfeiting, and thefts of high-tech components, such as computer chips. Drug trafficking continues to be a significant source of AOC revenue. In Canada, Chinese organized crime groups import precursor chemicals from Asia for the production of MDMA (Ecstasy), a significant quantity of which is smuggled into the United States.

In Canada, AOC groups are active within traditional Asian population centers in British Columbia, Alberta, Ontario, and Quebec. There is also evidence of AOC migrant smuggling and drug trafficking activity in smaller population centers, such as the predominantly rural Atlantic Region. In the United States, AOC is active throughout the country, from major metropolitan areas and their suburbs to isolated rural communities.

Established Chinese criminal infrastructures facilitate the smuggling of large numbers of Chinese migrants into North America. Organized crime groups based in the People's Republic of China (PRC) orchestrate mass illegal Chinese migrant smuggling operations, often in cooperation with one another. These global criminal networks are believed to engage in a variety of ancillary criminal offenses — including visa fraud — to support their primary profit-making activity.

In addition to migrant smuggling, many Asian criminal enterprises are involved in human trafficking. In this case, individuals are smuggled into Canada and the United States and forced into indentured servitude to pay the smuggling organization. In the United States, the debt is frequently paid through virtual slavery in brothels, sweatshops or restaurants.

### Forecast

- Triad society dominance of the Asian criminal milieu and the extent of their global relationships combine to give triads real potential to become formidable organized crime threats to Canada and the United States.
- Fluid, non-hierarchical organizations characteristic of “non-traditional” AOC will grow increasingly prevalent.
- AOC groups will continue to represent a threat in terms of border integrity, particularly with regard to migrant and drug smuggling.



## Eurasian / Eastern European Organized Crime

Since 1989, remarkable change has occurred in the political, social, and economic climate of the FSU and its satellite states. One of the most surprising transformations has been the maturation and expansion of pre-existing underground economies into fully realized transnational organized crime syndicates. E / EEOC is not limited to FSU-based organizations, but includes groups from the former Soviet Bloc nations of Central and Eastern Europe.

E / EEOC arrived on this continent fully formed. Most key groups have inextricable links to parent organizations in Russia and the FSU. Many Western observers view E / EEOC as a vertically integrated phenomenon, analogous to traditional mafia-type groups. Increasing evidence suggests, however, that a more fluid, cellular-type structure is the norm. Members of different E / EEOC cells may come together informally to carry out different types of opportunistic criminal activity.

Within the larger E / EEOC context, groups tend to follow ethnic lines. There is a “Soviet factor” in some criminal relationships, meaning that groups from the FSU work with each other more readily than with non-FSU groups. When specific resources or skill sets are required but not readily available, E / EEOC groups may build partnerships across ethnic and criminal lines.

Senior members / associates of Russian groups appear to recognize and accept the hegemony of a single *avtorityet* (criminal authority), who plays an important role in dispute resolution, decision-making and the administration of criminal funds. Another important figure in the Russian criminal environment is the *krisha*, or “roof,” a sponsor whose authority and influence provides protection and stability. In Canada, E / EEOC networks tend to focus on key individuals (who may or may not be *avtorityety* in the original sense of the word) who act as criminal consultants — dispensing advice, making introductions, and providing “seed money” — in exchange for a cut of the final profits.

The traditional hub of E / EEOC activity in Canada is the Toronto area. E / EEOC is also present in Vancouver and other urban centers. Criminal activity is not limited to Russian entities, but also includes criminals with a range of Eastern and Central European ethnicities. E / EEOC is one of several criminal entities drawn to the diamond trade in the Canadian north. This is significant because Canada is currently among the top four producers of rough diamonds in the world and is projected to become the world’s leading producer over the next two to three decades.

In the United States, New York City remains a significant center of E / EEOC activity. Additionally E / EEOC activity has been noted in major metropolitan areas where there is a significant Eurasian / Eastern European population. E / EEOC signature activities in the United States range from money laundering and drug trafficking to various types of fraud. Aside from Russian organizations, ethnic E / EEOC interests operating in the United States include Polish, Romanian and Armenian groups.

### **Forecast**

- While Russian and FSU organizations will continue to dominate, analysis indicates that emerging forms of E / EEOC from the former Soviet Bloc nations of Central and Eastern Europe — including Lithuanian, Latvian, Polish, Romanian, Armenian and Roma (Gypsy) groups — will challenge law enforcement in both Canada and the United States.
- E / EEOC groups will continue to build limited partnerships across ethnic lines to maximize strategic capabilities.

## Italian Organized Crime / La Cosa Nostra

Canadian and US law enforcement agencies use different terminology to describe organized crime of Italian origin. Ethnic Italian organized crime groups based in the United States are referred to as La Cosa Nostra (LCN). By comparison, criminal groups based in Italy that conduct criminal activity in the United States are referred to as Italian Organized Crime (IOC). LCN groups are the more prevalent of the two types of ethnic Italian criminal groups in the United States. Canadian law enforcement refers to all ethnic Italian criminal activity as either Traditional Organized Crime or Italian Organized Crime. For the purposes of this document, Italian Organized Crime will reflect Canadian usage.

The principal Italian criminal groupings in Canada are the Sicilian Mafia and the 'Ndrangheta, or Calabrian Mafia. The Sicilian Mafia is the most influential, with links to other Sicilian groups across Canada and in the United States, Italy and Venezuela. In many parts of Canada, the Sicilian Mafia exerts a powerful influence over the 'Ndrangheta.

IOC / LCN is the most mature form of organized crime in both Canada and the United States. Its ability to form alliances with and coopt other organized crime groups gives it global influence. The emerging generation of IOC / LCN leaders has access to tremendous financial resources. In the United States, LCN initiation ceremonies dictate clear distinctions between official (or "made") members and associates. In Canada, distinctions are drawn between "executives," "members" and "associates" and the existence of LCN-style initiation rituals has not been confirmed. In both countries, IOC / LCN is distinguished by its strict, vertically integrated, hierarchical structure. The discipline and efficiency that result from this structure permit IOC / LCN to focus resources to maximize profit. This structure is in stark contrast to other forms of criminal activity, such as Asian and Eurasian / Eastern European organized crime, which tend to be more focused on opportunity and immediate profit rather than the development of the organization as a criminal enterprise over a long period of time.

### Forecast

- Although drug trafficking continues to be a financial mainstay for IOC / LCN groups, they will continue to diversify into a variety of profitable ventures.
- The emerging generation of IOC / LCN members will make increasing use of technology to secure communications and maximize profits.

## STRATEGIC ENVIRONMENTAL ISSUES

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### ***African Criminal Enterprises***

African criminal enterprises are involved in money laundering; financial fraud schemes, including insurance and health care billing scams; check and credit card fraud; Canadian advance fee lottery fraud; and phishing (e-mail solicitation to obtain personal information) schemes.

In 2005, a joint FBI / RCMP mass-marketing fraud initiative reviewed counterfeit monetary instruments seized by Netherlands authorities between April 2003 and February 2005. The checks were to be delivered to consumers around the world as part of an African criminal enterprise advance fee fraud (provision of a fee in order to secure fictitious lottery winnings or lines of credit).

Aside from fraud, African criminal enterprises engage in narcotics and human trafficking, prostitution, migrant smuggling, and kidnapping.

### ***Balkan Criminal Enterprises***

Albanian groups have been implicated in Canadian and US counterfeit currency and immigration documentation schemes. There are indications that some Albanian groups are branching out into white collar activity such as real estate and health care fraud. They are also engaged in a range of cross-border criminal activity, including smuggling of marijuana and possibly other drugs, migrant smuggling, and money laundering.

## **Drug Production and Trafficking**

### ***Colombian Organized Crime and the Drug Trade***

Colombian cocaine brokers are part of the highly diversified North American cocaine trafficking chain. They are intermediaries between cocaine producers in Colombia and Canadian and US cocaine trafficking organizations. In Canada, they sell the shipments to other crime groups, including Outlaw Motorcycle Gangs (OMG) and IOC. In the United States, Mexican trafficking organizations and OMGs are among the groups involved in domestic cocaine distribution.

The United States is a major transit point for cocaine en route to Canada from South America. The amount of cocaine seized along the British Columbia border inbound from the United States almost doubled in 2004.

### ***Marijuana***

Many criminal organizations in Canada are involved, in some way, in the marijuana trade. Some drug traffickers specialize in marijuana; others traffic in a variety of substances. Those who specialize in marijuana often control specific aspects of the trade such as brokering, transportation, or the laundering of proceeds.

Marijuana grow operations and trafficking are increasing across Canada. These activities are particularly serious in British Columbia, Ontario, and Quebec, although recent major seizures in rural parts of the Atlantic provinces indicate that the problem is by no means localized.

The smuggling of Canadian marijuana into the United States continues to be a significant problem for law enforcement agencies on both sides of the border. However, Mexico remains the major foreign source of marijuana for the US domestic market. Similarly, while Canadian growers supply marijuana to Canadian users, Canadian traffickers also import marijuana from Colombia, Jamaica, Mexico and other source countries.

### ***MDMA (Ecstasy)***

Over the past decade, the illicit synthetic drug trade in Canada and the United States has undergone significant transformation, and new developments emerge with each passing year. Many of these changes are attributable to the increased involvement of major organized crime networks in importation, domestic production and trafficking. Although the focus continues to be on MDMA, there has also been a surge in the production and trafficking of methamphetamine. In Canada, emerging drugs of concern include gamma hydroxy butyrate (GHB), ketamine, and diverted pharmaceuticals.

Prior to 2004, the largest seizures of MDMA in Canada involved shipments of tablets and powder imported from Europe. Beginning in 2004, there was an exponential increase in domestic clandestine synthesis and tableting laboratories. During that period Canadian law enforcement authorities seized 15 million dosage units of MDMA while US authorities seized 2 million dosage units. Given the respective sizes of the Canadian and US populations, this disparity is significant and suggests that large amounts of MDMA originating in or transshipped through Canada are destined for US markets. RCMP officials estimate that a significant quantity of the MDMA produced in Canada is eventually destined for sale in the United States.

***Methamphetamine***

Perhaps the most significant recent shift in illicit synthetic drug activity in Canada has been the continuing rise in methamphetamine trafficking and availability. The bulk of methamphetamine available in Canada is derived from domestic clandestine laboratories. These manufacturing operations involve primarily independent entrepreneurs and users and, increasingly, Asian organized crime networks and OMGs. In many cases, these groups operate “Superlabs,” which are capable of producing over five kilograms of methamphetamine or Ecstasy in a single “run” or “batch.”

***Pseudoephedrine and Chemical Regulation***

Canadian Precursor Control Regulations took effect in January 2003, governing the sale of pseudoephedrine and ephedrine for export. Companies involved in the sale of precursor chemicals must be registered and provide background information about individuals who purchase chemicals. Subsequent to the implementation of these regulations and related Canadian / US law enforcement efforts, US authorities have reported a significant decrease in Canadian pseudoephedrine seizures and availability.

By the end of the first quarter of 2006, 38 US states had passed measures establishing or enhancing restrictions on over-the-counter sales of pseudoephedrine products, most often associated with cold remedies. Retailers generally must keep such products in an area inaccessible to customers, limit the amount that can be bought at any one time, and require proof of identification prior to purchase. As a result, several states have noted a decrease in the number of seizures of small-scale methamphetamine laboratories. In Canada, the provinces of Manitoba and Saskatchewan announced in November 2005 that they would address the increasing use of methamphetamine by limiting access to single-source pseudoephedrine products. Both provinces now require that numerous cough and cold remedies containing pseudoephedrine be sold only in pharmacies, where they must be stored behind the counter. British Columbia, Alberta and Ontario are considering similar restrictions.

## **Financial Crime**

### ***Identity Theft***

Criminal enterprises and loosely organized criminal networks perpetrate identity theft throughout Canada and the United States. These groups may use the proceeds from the theft, sale, and manipulation of sensitive information to finance other criminal ventures with the capacity to cause significant harm to Canadian and US government, citizens, businesses, and interests.

Of particular concern, new technologies and the Internet provide identity thieves with innovative tools for acquiring large amounts of personal data with minimal effort. “Phishing” scams are one of the most significant and lucrative identity theft-related threats to Internet users. Frequently, “phishing” scams operate in conjunction with “spamming” techniques that allow criminals to target millions of potential victims.

### ***Money Laundering***

The ability to launder large sums of money is a fundamental requirement for virtually every form of major criminal activity, except violent crime. Several “traditional” money laundering techniques are in common usage, most notably the exploitation of the banking systems through wire transfers, offshore bank accounts, and shell companies. These techniques include currency smuggling; smurfing; the use of money service businesses such as currency exchanges and wire services; electronic fund transfers; and commingling of licit and illicit funds.

### ***Diamond Industry***

The emerging Canadian diamond industry represents several potential challenges with regard to criminal activity. While issues like theft and fraud are continuing concerns, Canadian authorities have noted the potential use of diamonds as a money laundering vehicle and for the concealment of proceeds of crime. Portable and with high concentrated value, diamonds can be moved easily and efficiently between countries.

### ***Internet Payment Systems***

Internet payment systems (IPS) allow funds to be transferred to accounts around the world without resorting to the international banking system. Additionally, these payment systems enable clients to transfer funds globally via the Internet without regard to currency type, reporting, or regulatory restrictions. As such, these cash substitutes are ideal money laundering tools. At the layering stage (in which funds are divided up and moved around to hide their true origins), funds can be sent to a variety of locations worldwide. At the placement stage, an IPS can be used as a vehicle to “receive” funds into a particular account.

Stored value cards (gift cards or prepaid debit cards) are issued by banks, trust companies and other financial institutions and are accepted increasingly as legal tender in Canada and the United States. Often, stored value cards can be transferred from person to person as gifts and “reloaded” in value. They may hold large quantities of “virtual currency” and represent a convenient method of smuggling money from one country to another.

### ***Black Market Peso Exchange***

The Black Market Peso Exchange (BMPE), which operates primarily throughout South and Central America and Mexico, is a money laundering scheme that uses international trade to launder narcotics proceeds. The purpose of the BMPE is to repatriate illicit proceeds while evading local foreign exchange controls. This process allows criminal organizations to launder proceeds between North and South America without creating a paper trail or drawing undue attention to themselves.

### ***Casinos***

Casinos have been an organized crime money laundering venue in the United States since at least the 1960s. In Canada, casinos began operating in the late 1980s and are now located in a number of cities from coast to coast. Most Canadian and US casinos provide financial services such as casino accounts (analogous to a savings account in a bank), currency exchanges, and electronic funds transfers. Both Canadian and US casinos wire funds across the border. The fact that currency in casinos is largely exchanged in the form of chips and stored value cards renders the traceability of funds difficult.

Online casinos are proliferating. While they are legal in many countries, online casinos are illegal in both Canada and the United States. As a result, servers are located offshore, making them difficult to regulate under federal, provincial, or state legislation. This arrangement provides opportunities for a number of money laundering-related activities.

### ***Telemarketing Fraud***

Telemarketing fraud — often consisting of credit card, loan and investment scams — continues to target both Canadian and US citizens. US losses due to this type of fraud are estimated at nearly \$1 billion per year while Canadian losses are estimated at more than CDN \$16 million. However, RCMP analysts estimate that only five percent of victims ever report to authorities, meaning that actual losses may approach CDN \$295 million per year.



## Gangs

Serious gang-related criminal activity continues to challenge law enforcement on either side of the Canada - US border. While there are few concrete linkages between Canadian and US gangs, authorities in both countries are noting change and evolution in certain aspects of their gang situations. The fact that this evolution appears to be occurring concurrently suggests that gang activity — often dismissed as “petty crime” — is poised to transform itself into a much more serious form of criminal enterprise.

Most large Canadian urban centers play host to street gangs. Some of these pattern themselves consciously after US models like the Crips and the Bloods, while others, like Jamaican Posse groups and Vietnamese gangs, are structured along ethnic or national lines. From a Canadian police perspective, however, the greatest street gang-related threat is in the Prairie Provinces (Manitoba, Saskatchewan and Alberta), where Aboriginal (Indian) street gangs like the Indian Posse, the Native Syndicate and the Saskatchewan Warriors are criminally active in cities like Winnipeg, Saskatoon and Regina.

Gangs hold out the promise not only of power and profit but, just as importantly, of family and belonging. For the adolescent demographic most at risk of being drawn into criminal activity, this is a powerful siren call.

In the United States, several violent youth gangs, including the Salvadoran-based Mara Salvatrucha, or MS-13, and the 18<sup>th</sup> Street Gang, or M-18, are transforming themselves into global, or at least hemispheric, entities. Many of the core members of these internationalized gangs are former US residents who have been deported to their countries of origin in Central America after serving prison terms in the United States for felony offenses.

These “megagangs” have established themselves in El Salvador, Guatemala and Honduras, acquiring a major share of the local cocaine and crack cocaine trades in the process. They battle authorities for control of criminal turf in towns and cities across Central America. Inter-gang rivalries result in the death and displacement of bystanders on a daily basis. Like Aboriginal gangs in Canada, these gangs often function as surrogate families for young people disenfranchised by poverty.

The strength of these gangs lies in their increasing ability to redirect criminal activity back into the United States. Gang-connected “coyotes” prey on Central American migrants, charging exorbitant fees to smuggle them into the United States, while others have established smuggling and trafficking relationships with Mexican drug trafficking organizations.

The Central American experience has transformed these gangs into entities that are much more dangerous than their US forebears. As their influence grows, so does their sophistication. They do not hesitate to use high-powered weaponry. Although these megagangs have not yet moved into true enterprise-type crime, they traffic drugs and stolen documents, commit robberies and steal cars.

### **Human Trafficking / Migrant Smuggling**

According to the United Nations, human trafficking and migrant smuggling are two of the fastest growing areas of international criminal activity. Globally, they are the third largest source of revenue for organized crime, after drugs and arms trafficking. The United Nations estimates that the victims of human trafficking for the sex trade alone generate approximately \$5 billion a year in revenue.

Migrant smuggling is the illegal movement of persons across a national border. Generally, migrant smuggling occurs with the consent of the person being smuggled, who often pays large sums of money to a professional smuggler. The fee varies according to the distance traveled. The relationship between the smuggler and the person being smuggled is usually terminated upon arrival at the final destination.

Human trafficking is a crime in which people are treated as commodities. It is a form of slavery that includes involuntary servitude, kidnapping, extortion and violent crime. Victims of human trafficking may be found in sweatshops, domestic work, restaurants, agricultural labor, prostitution, and the sex trade. Victims may not even recognize that they are being victimized, or may be forced to protect their exploiters. Women and children are particularly vulnerable to this form of criminal activity.

### **Middle Eastern / Southwest Asian Criminal Enterprises**

Middle Eastern / Southwest Asian criminal enterprises are generally based on familial ties, are typically loosely organized theft or financial fraud rings. They have been active in areas with significant Middle Eastern or Southwest Asian populations since the 1970s.

Middle Eastern and Southwest Asian criminals increasingly use small, legitimate cash businesses to facilitate their activities. Legitimate businesses may be used to commingle licit and illicit proceeds to facilitate money laundering and other illegal activities.



