

RCMP Criminal Intelligence

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# DRUG SITUATION REPORT — 2006

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## FOREWORD

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The Drug Situation Report 2006 provides a strategic overview of the illicit drug trade in Canada. This year, the Report features two new sections: Drug-generated Proceeds and Emerging Trends. The Drug-generated Proceeds section discusses the money laundering aspect of the drug trade, while Emerging Trends highlights new patterns relating to cannabis, cocaine, and opiates, both within Canada and globally.

As witnessed in recent years, the involvement of organized crime has significantly expanded the Canadian illicit drug trade, posing a major threat both domestically and internationally. In fact, criminal organizations that previously specialized in one drug commodity type have now branched out into multi-commodity trafficking, importation and exportation. These organizations are powerful, well-connected and are dealing in high profit-yielding illicit ventures across the globe.

The information presented in this Report is based on seizure data and investigations conducted by the Royal Canadian Mounted Police and other Canadian enforcement agencies and departments involved in drug enforcement.

# CANNABIS

With a global consumer population of approximately 160 million individuals, cannabis products represent the world's largest illicit drug market. Derivatives of cannabis include marihuana (cannabis herb), hashish (cannabis resin), and hashish oil (cannabis oil), which are created using various parts of the plant. Generally grown for domestic consumption in a source country, there is some exportation of cannabis to neighbouring countries. In Canada, marihuana is the predominant cannabis derivative which is commonly exported. Cannabis remains a popular drug of choice; however, in 2006 Statistics Canada reported a decrease of four per cent in cannabis-related offences.

## Marihuana

### Key findings

- There has been a noticeable decline in marihuana grow seizures documented in British Columbia since 2003, however the quantity of seizures in the provinces of Quebec and Ontario remain stable.
- There was an increase in the use of small private aircraft as a transportation mode to smuggle marihuana into the United States.
- Proceeds generated from the sale of Canadian-produced marihuana in the United States were used to finance other illicit activities, including the purchase of cocaine and firearms which were smuggled northbound into Canada.

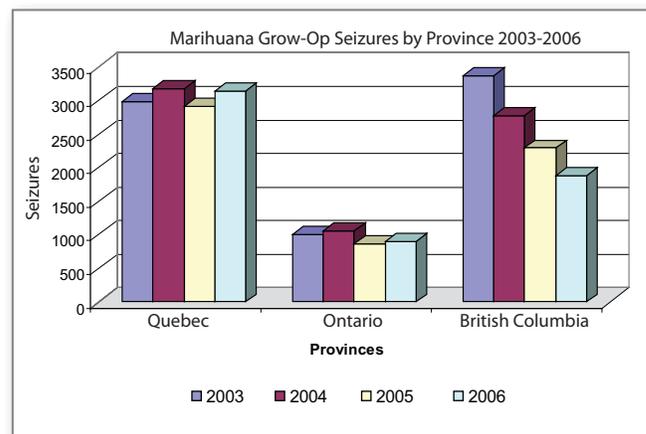
### Demand

Marihuana consumption continues to be high among communities across Canada. The size and sophistication of marihuana grow operations seized in Canada indicate that demand remains high. In addition, the high demand for marihuana in the U.S. market plays an important role in the Canadian production of this commodity. Likewise, the simplicity of producing marihuana has made it available to nearly every individual willing to grow the plant.

### Supply and Smuggling patterns

In 2006, approximately 1,749,057 plants and 13,154 kilograms were seized by law enforcement agencies. The Canadian marihuana market is supplied primarily from domestically grown cannabis. As well, the smuggling of marihuana to neighbouring countries is far greater than marihuana imported into the country. In 2006, a total of 804 kilograms of marihuana, originating virtually

entirely from Jamaica, was seized at the Canadian border. There is, therefore, no significant source country to the marihuana market other than Canada. Annual Canadian marihuana production is estimated at between 1,399 and 3,498 metric tonnes and continues to be predominant in British Columbia, Ontario and Quebec, where approximately 90 per cent of marihuana is produced. However, a noticeable decline in marihuana grow seizures has been documented in British Columbia since 2003. Several factors have contributed to this decline, such as increased enforcement, effective partnerships with governmental and non-governmental organizations, and displacement southwards of the technical expertise and knowledge required for setting-up and running a grow operation.



Smuggling of Canadian-grown marihuana to the United States continues to be a concern for both countries. Canada and the United States continue to record abnormally high levels of delta-9-tetrahydrocannabinol (THC) in a limited number of samples, demonstrating that crime groups in both countries have the capability of producing high-potency marihuana. Average levels of THC in marihuana grown in Canada increased from 9.96 per cent in 2005 to 10.25 per cent in 2006.

In 2006, the exchange of drug commodities continued to increase as proceeds generated from the sale of Canadian-grown marihuana in the United States were used to finance other illicit activities, including the purchase of cocaine and firearms to be smuggled northbound into Canada. In May 2006, a joint task force including the Toronto Police Service, the RCMP, as well as U.S. law enforcement agencies, dismantled an international drug smuggling organization. The investigation succeeded in disrupting a lucrative drug operation that used trucks and boats to smuggle Canadian-produced marihuana from British Columbia and Ontario to the United States. The proceeds from the sales were used to purchase cocaine in the United States and smuggle it into Canada via the same means. A total of 48 kilograms of cocaine, 1,200 pounds of marihuana, as well as 200 tablets of Ecstasy, were seized. Following patterns observed in 2005, Canadian-based drug trafficking organizations continued to expand their markets as polydrug seizures became more commonplace.

Canadian marihuana is smuggled into the United States by various means, including water ways, commercial transport truck and personal vehicle. A shift towards the use of private aircraft in the Pacific region was observed in 2006. Canadian and U.S. enforcement officers dismantled a major cross-border marihuana smuggling group based out of British Columbia in a joint project named "Frozen Timber". Remote forested areas of Bellingham, Washington and Harrison Hot Springs, British Columbia were used as drop-off and pickup points for marihuana delivered by private helicopters. The two-year investigation resulted in the seizure of 3,640 kilograms of marihuana, 365 kilograms of cocaine, three aircraft and \$1.5 million in U.S. currency. Over 45 individuals were arrested in Canada and the United States in connection with this project.

### **Trafficking Activity and Groups**

Marihuana production remains an evolving and very lucrative industry, which continues to attract the attention of organized crime groups. Outlaw motorcycle gangs (OMG) and organized crime groups of Asian origins remain the prominent groups involved in the Canadian marihuana industry. However, the presence of OMGs within the marihuana production and smuggling

markets appears to be surmounted by the sophisticated organized crime groups of Asian origins, especially those of Vietnamese descent.

In 2006, the collaboration among different organized criminal groups continued. While these groups controlled all facets of the marihuana trade, some independent growers limited themselves to the cultivation aspect and used brokers to distribute the product, such as Indo-Canadians involved in the commercial trucking industry.

In Eastern Canada, seizures were predominantly from outdoor production of marihuana whereas in Western Canada, particularly in British Columbia, seizures were mostly from indoor production. Nonetheless, both rural and urban properties were purchased by organized crime groups for the sole purpose of cultivating marihuana. This trend indicates that, despite regional fluctuations, overall production of marihuana continues to flourish in Canada, as does the threat of organized crime groups supplying the illicit market.

### **Major Seizures**

- In January, Edmonton RCMP seized 1,180 marihuana plants as well as a loaded 9-mm handgun. Two men were charged with drug and firearm offences in connection with a \$1.2 million marihuana grow operation.
- In February, RCMP found a large underground marihuana grow operation at a property near Hope, B.C. The complex featured an elevator and several large rooms housing more than 4,000 plants in various stages of growth or drying.
- In May, \$4 million worth of marihuana plants were seized from a home northeast of London, Ontario, where almost 4,000 plants were discovered along with magic mushrooms.
- In May, police in British Columbia found a sophisticated marihuana grow operation contained in a two-level underground bunker on a rural property near Aldergrove. The fortified concrete bunker, which housed more than 1,300 mature marihuana plants in four rooms, was located below a detached garage on the property.

- In August, RCMP, along with Edmonton Police, seized 5,523 marihuana plants from a dozen rural greenhouses in Edmonton. The greenhouses were located on two separate sites in a remote area accessible only by a single road and hidden by thick brush from the main highway. Police arrested four men.
- In September, the largest marihuana seizure in Canadian history was made in Adamsville, New Brunswick near Moncton, where police seized close to 30,000 marihuana plants. The seizure of the grow operations resulted in the arrests of five people.

## Hashish and Hashish Oil

### Key Findings

- Well-established criminal organizations in Eastern Canada were responsible for large importations of hashish into Canada.
- Major seizures from international waters en route to Canada continued in 2006.
- Nearly all of the hashish oil seized at Canadian ports of entry was seized at Toronto Pearson International Airport and originated from Jamaica.

### Demand

Hashish and hashish oil represent a limited market, in which consumption is concentrated in Ontario, Quebec and the Atlantic Provinces. Although large seizures of hashish continued in 2006, the availability and demand for hashish and hashish oil is limited and seizures remain less frequent than those of other illicit drug commodities. In the Vancouver region, an emerging cannabis derivative, known as “Budder”<sup>1</sup>, with reported THC concentration ranging from 82 to 99.6 per cent, appears to be rising in popularity among marihuana consumers.

### Supply and Smuggling Patterns

In 2006, 27.73 metric tonnes of hashish, originating from countries such as Morocco and Pakistan, were seized by Canadian law enforcement agencies. Of this total amount seized, two seizures accounted for 92 per cent of the hashish en route to Canadian markets. The first occurred in June 2006 and involved 22.5 metric tonnes which were seized by the RCMP off the shores of Africa<sup>2</sup>. This shipment was intended for the Canadian market and represented more than six times the amount seized in 2005. This multi-tonne hashish seizure is consistent with smuggling patterns observed over the last fifteen years. The second most important seizure of 2006 occurred in June at the Port of Halifax. While conducting a search of a marine container originating from Pakistan, Canadian authorities discovered 4,034 kilograms of hashish.

Seizures indicated that hashish smuggled at the multi-tonne level into Canada was generally concealed in commercial cargo containers aboard marine vessels en route to the ports of Montreal and Halifax. To a lesser extent, some hashish shipments, with the final destination of Toronto and/or Montreal, arrived at the Port of Vancouver. In 2006, the greatest quantities of hashish were seized from international waters. However, smaller quantities were smuggled via air, with the greatest number of hashish seizures reported at Toronto Pearson International Airport.

Nearly all of the hashish oil smuggled into Canada originated from Jamaica. In 2006, law enforcement seized 1,060 kilograms of hashish oil, a total amount representing almost 15 times the quantity reported in 2005. The most frequent means of smuggling hash oil into Canada were air passenger flow, air cargo and commercial courier on direct flights between Jamaica and Toronto Pearson International Airport. Although the majority of hashish oil seizures were effected in the aircraft mode, the largest shipments seized were in the marine mode. The largest seizure of 2006 occurred in January at the Port of Halifax where 504 kilograms were seized from a container that arrived via marine vessel from Jamaica.

1 “Budder”, a cannabis derivative, is synthesized by whipping air and freezing isomerized hash oil, and reportedly has THC levels ranging from 82 per cent to 99.6 per cent.

2 This seizure was made in international waters near the continent of Africa.

### **Trafficking Activity and Groups**

Well-established criminal organizations in Eastern Canada continue to be responsible for the majority of hashish importation into the country. These criminal organizations are sophisticated and have the resources necessary to conduct large international transactions. In May 2006, three conspirators linked to a Quebec criminal organization were arrested after an investigation into a conspiracy to import hashish. The RCMP investigation led to the dismantling of the Montreal-based importation cell, as well as the seizure of 22.5 metric tonnes of hashish off the coast of Africa. Organized crime groups of Jamaican origins in southern Ontario, as well as OMGs, are also active in the hashish and hashish oil market.



*Seized hashish shipment*

### **Major Seizures**

- In January, the largest seizure of hashish oil was detected by Halifax Port authorities. In a container originating from Jamaica, 504 kilograms of the drug were seized, as well as 362 kilograms of marihuana.
- In June, authorities seized 107 kilograms of hashish hidden in a container of furniture that originated in Morocco. The seizure was made at the port in Halifax, but the container was ultimately destined for Montreal.
- In June, a joint international investigation led by the RCMP resulted in a one-of-a-kind seizure of hashish in international waters off the shores of Africa. An organized crime group based in Montreal arranged this shipment of 22.5 metric tonnes of hash destined for Canada.
- In July, at the Port of Halifax, approximately 4,000 one-kilogram packets of hash were detected, hidden inside 100 large bales of cotton, imported from Pakistan and bound for Toronto.
- In July, 430 kilograms of hashish oil, 600 grams of hashish as well as 196 kilograms of marihuana, originating in Jamaica and destined for Toronto markets, were seized at the Port of Halifax. Anomalies in the floor of the container led to the discovery of the smuggled shipment.

## **Key findings**

- In 2006, the majority of cocaine seized in Canada transited the United States by land.
- Organized crime groups of Asian origins emerged as prominent figures in cocaine smuggling.
- Canada was identified as a transit country for cocaine to Australia.

## **Demand**

Cocaine remains readily available across the country. Cocaine continues to be smuggled primarily into large urban centres in Canada via main entry points within the provinces of Ontario, Quebec and British Columbia. Subsequently, organized crime groups partially redistribute the cocaine to other criminal networks located within medium and smaller centres. Crack, a cocaine derivative converted from cocaine hydrochloride (HCl) smuggled into Canada, remains prevalent among street drug-user populations across the country.

An emerging trend of lacing cocaine with methamphetamine, which could potentially increase demand, has been identified through reported cases in Ontario and British Columbia.

## **Supply and Smuggling Patterns**

In 2006, global coca bush cultivation remained stable according to the United Nations Office on Drugs and Crime (UNODC) World Drug Report. Despite a small decrease, Colombia continued to account for half (50%) of global coca cultivation, followed by Peru (33%) and Bolivia (18%). When examining the global potential for cocaine production, Colombia maintained its domination with 62 per cent of production, while Peru represented 28 per cent and Bolivia 10 per cent<sup>3</sup>. In 2006, the overall potential production of cocaine was estimated at 984 metric tonnes.

Cocaine in all its forms (base, paste and hydrochloride) was largely produced in 2005 in clandestine coca processing laboratories located in South America. Analysis indicated that Bolivia and Peru produced primarily coca paste and cocaine base, whereas Colombian laboratories produced cocaine HCl. Preliminary figures reported for 2006 depicted a similar portrait. Correspondingly, Colombia continued to be the predominant source country for the Canadian cocaine market.

The quantity of cocaine seized in Canada has remained relatively stable over the past two years, with 2,556 kilograms reported in 2005 and 2,676 kilograms in 2006.

With ongoing direct international flights, cocaine smuggling into Canada via air mode continued from various transit countries in the Caribbean, such as Trinidad and Tobago, the Dominican Republic and Antigua, as well as directly from South American countries. In 2006, reported cocaine seizures indicated an increase from transit countries such as Mexico and from Central America, including Costa Rica and Panama.

Despite the significant decrease in 2006 cocaine seizures originating in Venezuela, this country continues to be a source of concern to Canada. Three separate seizures, totaling 127 kilograms, were effected in Venezuela destined for Canada — two by air passenger mode and one by marine mode. As Colombia is a high profile country for cocaine production, Colombian organized crime groups have attempted to escape detection by sending drug shipments through neighbouring countries. A significant amount of Colombian cocaine transits Venezuela and then continues on to various countries, including Canada.

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3 The UNODC 2006 World Drug Report stated that the 2005 potential cocaine production for Colombia was 70%, for Peru 20%, and for Bolivia 10%; yet, in the 2007 World Drug Report, statistics for 2005 were indicated differently: Colombia 65%, Peru 27% and Bolivia 8%.

Cocaine shipments from South America primarily enter the United States through Mexico and are subsequently smuggled into Canada. In 2006, the United States was identified as the primary transit country for cocaine seizures in Canada, with the majority interdicted at land ports of entry.

Contrary to 2005, where the predominant method of cocaine importation was by air transport, in 2006, the land mode accounted for the largest quantity of cocaine seized as well as the largest cocaine seizures. Reports indicated that sophisticated concealment methods were increasingly being used at ports of entry in an attempt to elude detection.

Cross-border cocaine movement from the United States into Canada occurs predominantly along major highways through ports of entry located primarily in British Columbia and southern Ontario. Organized crime groups also take advantage of the vulnerabilities between the ports of entry to smuggle cocaine cross border. Due to successful enforcement in the Pacific region, however, drug smuggling activity partially moved eastward along the Alberta border. Other smuggling methods from the United States into Canada occur by way of air, with helicopters and private airplanes; by marine mode, with boats; and by land, with all-terrain vehicles, snowmobiles and backpacking.

Cross-border smuggling of Canadian-grown marihuana into the United States remains linked to the northbound smuggling of cocaine into Canada. In 2006, polydrug shipments into the United States of Canadian Ecstasy, chemical precursors, and/or marihuana were exchanged for cocaine, proceeds of crime and firearms to be smuggled back into Canada.

### **Trafficking Activity and Groups**

In 2006, Canadian criminal organizations through their international networks were involved in cocaine importation into other countries. For example, in September, Portuguese authorities intercepted a marine vessel near the Azores Island and seized 958 kilograms of cocaine, resulting in the arrests of four Canadian crew members.

Further demonstrating the transnational nature of Canadian organized crime groups, in 2006, reported cocaine seizures originating in Canada were effected in Australia and the United Kingdom. Most notably, in September, Australian authorities intercepted a marine shipment of computer display monitors that concealed 135 kilograms of cocaine and 120,000 MDMA tablets. In three separate incidents in the United Kingdom, cocaine was seized from courier and postal modes from shipments that originated in Canada (125 grams, 511 grams, and 2 kilograms by postal mode).

The illicit cocaine market remains very profitable and attracts numerous criminal organizations operating at different levels of involvement, ranging from smuggling into the country to street-level dealings. As in previous years, organized crime groups with origins in South and Latin America, OMGs, traditional groups and various independent organized crime groups remained involved in cocaine importation activities.

Investigations in 2006 identified a new emerging trend: organized crime groups of Asian origins and Indo-Canadian criminal organizations involved in cocaine smuggling. With an established prominence in the cross-border trade of marihuana and Ecstasy into the United States, organized crime groups of Asian origins are reinvesting proceeds of sales into other illegal activities, such as cocaine trafficking into Canada. Correspondingly, Indo-Canadian groups have a strong presence in the legitimate trucking industry. Their links to organized crime groups of Asian origins have resulted in their participation in cross-border smuggling of polydrug shipments into the United States, returning to Canada with cocaine and proceeds of crime.

The movement of cocaine trafficked inter-provincially by organized crime groups can vary according to pre-established criminal networks located across the country. For instance, in 2006, an investigation identified two organized crime groups smuggling cocaine from the United States into British Columbia and then shipping it to Toronto and Montreal. Cocaine is redistributed across the country by various methods, including concealment in personal vehicles and commercial transport trucks, the use of domestic flights, passenger coach (bus), and passenger train.

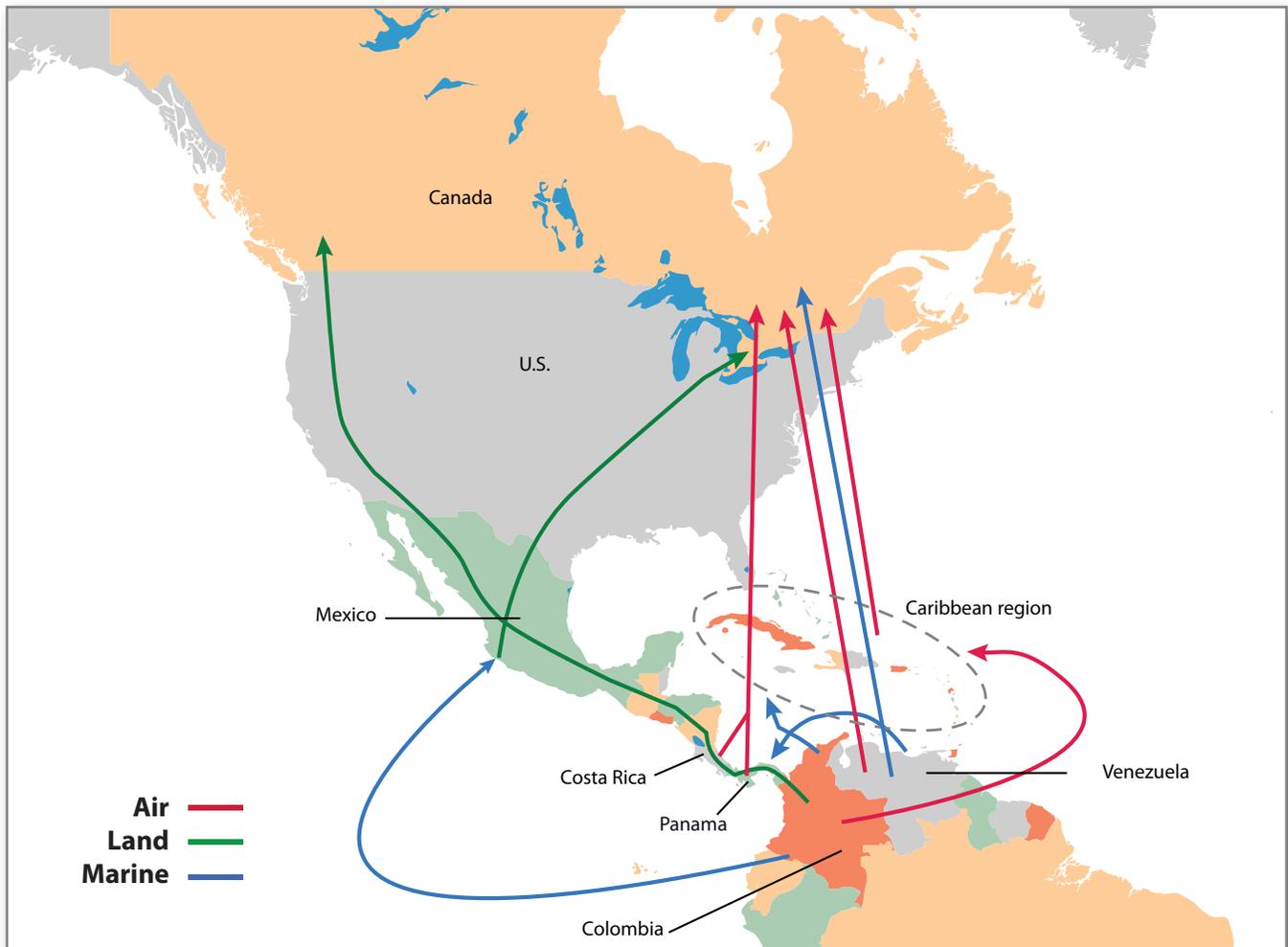
### Major Seizures

The following seizures were made at Canadian ports of entry or within Canada; the shipments originated in the United States.

- In January, 126.4 kilograms of cocaine were seized, concealed within a tanker truck at the Aldergrove, British Columbia port of entry.
- In October, 109 kilograms of cocaine were seized from a fixed-wing aircraft that crashed near Vernon, British Columbia.
- In September, 87.4 kilograms of cocaine were seized at a B.C. port of entry. The shipment was concealed within a compartment located under the bed liner of a pickup truck.

### Seizures en route to Canada

- In February, 120 kilograms of cocaine were seized from a tractor trailer at the Lynden, Washington State port of entry. The Canadian truck driver was en route to British Columbia.
- In October, 257.97 kilograms of cocaine were seized concealed in a false-raised trailer bed during an attempted crossing into Canada at the Lynden, Washington State port of entry.
- In October, 144 kilograms of cocaine were seized from an small aircraft re-fueling in California en route to Canada.
- In October, 140.61 kilograms of cocaine were seized in Oklahoma, concealed under a bed in an auto caravan driven by an Ontario resident.



Cocaine trafficking patterns

## KHAT (CATHA EDULIS)

### **Key findings**

- In 2006, the United Kingdom and the Netherlands remained the transit countries of choice for khat destined for Canada; however, seizures showed a slight increase in the use of alternate transit areas such as Italy, the United States, France and Germany.



### **Demand**

Khat consumers, the majority being middle-aged men, are found in the Somali, Yemeni, Ethiopian and Kenyan communities across Canada. Chewing, smoking or infusing the plant to extract the stimulant is an ancient tradition for these communities. Correspondingly, demand for khat is stronger in the Greater Toronto Area (GTA), Montreal and Ottawa regions, where larger concentrations of Somali communities are found.

### **Supply and Smuggling Patterns**

Khat is cultivated in the Horn of Africa and Arabian Peninsula, precisely in Yemen, Somalia and Ethiopia. In 2006, khat shrubs were transported from the source countries and transited through European countries such as the United Kingdom, the Netherlands, Germany, Belgium, Switzerland, France, Austria and the Czech Republic. Other countries of transit included the United States, India, Kenya and Uganda.

Although the United Kingdom and the Netherlands remain the top transit countries for khat illegally imported to Canada, seizures transiting from these countries declined in 2006. At the same time, there was a slight increase in the use of alternate transit countries such as Italy, the United States, France and Germany.

Khat is transported via air mode because of its perishable nature; the plant's main active ingredient, cathinone, evaporates once the shrub has dried out, leaving the milder cathine. Seizure reports in 2006 revealed that air passenger and cargo streams were mainly utilized to import khat into Canada. Mules were recruited through the Internet, newspaper ads or word-of-mouth to bring khat to Canada. They were often offered all-expenses-paid trips and cash rewards if the delivery was successful. Couriers, mainly foreign nationals aboard commercial aircraft, carried khat in their luggage. Larger khat shipments were flown in via air cargo.

There were 507 khat seizures in 2006 totaling 13,917 kilograms. While the number of seizures in 2006 dropped significantly (44%), the quantity of khat seized remained relatively stable. Nearly 65 per cent of the khat seized in 2006 was at Toronto Pearson International Airport.

### **Trafficking Activity and Groups**

Organized crime groups of East African origins present in Canada and overseas are responsible for the khat smuggling trade. Oftentimes, networks are established in less than 48 hours to transport khat from Africa to Canadian destinations. Khat trafficking relies exclusively on members of criminal organizations within the communities consuming khat.

### **Major seizures**

- In August, six luggage bags, containing 172 kilograms of khat, were seized at Toronto Pearson International Airport. The flight originated in England, and the passengers were nationals of the Netherlands.
- In September, authorities at Toronto Pearson International Airport seized 160 kilograms of khat from two nationals of the United Kingdom. The khat had been divided between golf bags and boxes.
- In September, 200 kilograms of khat in an air cargo shipment were seized at Toronto Pearson International Airport. The shipment, declared as telecommunications equipment, originated in the United Kingdom.
- In October, checked luggage, containing 164 kilograms of khat, was seized at Toronto Pearson International Airport. The owner of the luggage, a national of the United Kingdom, denied knowledge of the contents and did not have a key to open the suitcase.
- In December, two separate shipments, containing a total of 277 kilograms of freeze-dried khat, were seized at Toronto Pearson International Airport. Both shipments originated from the same address in Kenya and were declared as henna leaves. The khat was destined for the GTA.

### **Key Findings**

- Within a two year period, Canada has reversed its Ecstasy supply pattern status from an import and consumer nation to a major production and export country.
- Continued smuggling of the MDMA precursor chemical MDP2P from China into Canada in 2006 confirmed heightened domestic Ecstasy manufacture.
- MDMA exportation from Canada to Australia increased in 2006.

### **Demand**

The pattern of wide availability and stable use reported in 2005 was repeated in 2006. In fact, elevated levels of domestic production and distribution were reflected by unprecedented seizures of Canadian-produced Ecstasy effected in foreign jurisdictions. While the incidence of “raves” has declined over the last several years, the expansion of Ecstasy use to other youth/young adult-oriented venues (clubs, private parties, high schools and universities) has provided traffickers with accessible target populations to distribute their burgeoning supply.

### **Supply and Smuggling Patterns**

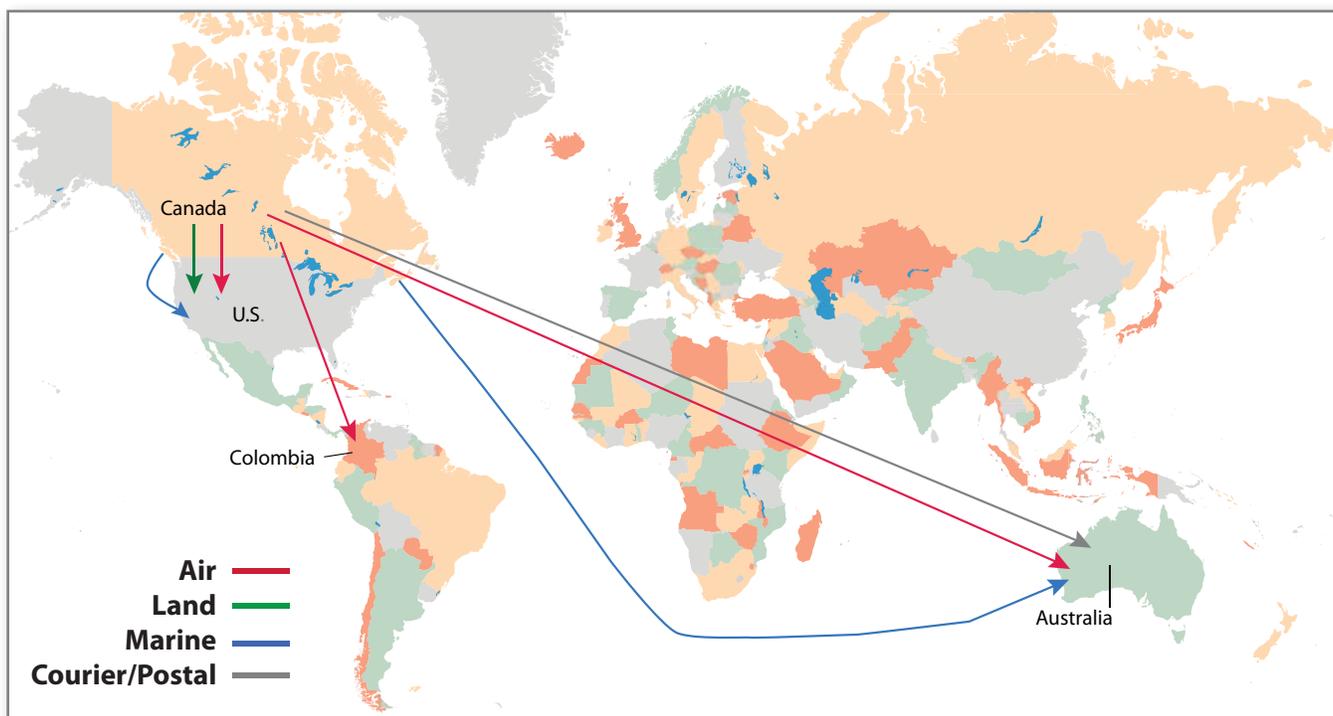
Within a two year period, Canada has reversed its Ecstasy supply pattern status from an import and consumer nation since the mid-1990s to a major production and export country. Commencing in 2004, the number of MDMA shipments as well as the amount of Ecstasy seized at Canadian ports of entry began to decline and were almost nonexistent by 2006. Between late 2005 and 2006, Canada replaced the Netherlands and, to a lesser extent, Belgium as the primary supply source of Ecstasy for its domestic trade and for the U.S. illicit market.

Despite a small decline in the number of reported Ecstasy laboratory seizures from 17 in 2005 to 15 in 2006, output capacities of actual labs seized during the past year were greater and demonstrated the stronghold of organized crime over production. Only “super” capacity or economic-based Ecstasy labs are now found in Canada. Heightened domestic manufacture was

further confirmed by ongoing importations of multi-tonne shipments of MDMA precursor chemicals from China to Canada.

Both Ecstasy synthesis and tableting operations were discovered during the past year. In August 2006, firefighters encountered a MDMA tableting operation and chemical cache site while responding to a defective fire alarm at an industrial complex in downtown Montreal. Montreal City police responded and discovered approximately 10 kilograms of pre-mixed MDMA powder prepared for final processing with caffeine, cellulose, methamphetamine, ketamine and colour dyes in an industrial-sized bakery mixer. A 19-station pill press was located, estimated to have a production capacity of several thousand tablets per hour. Also, about 620 litres of methylamine were discovered, estimated to have the potential production of 341 kilograms (2.8 million tablets) of MDMA.

Following 2005 patterns, Ecstasy smuggling from Canada to the United States occurred predominantly via commercial (tractor trailers) and private vehicles traveling across land border ports of entry. Air and marine modes were also utilized during 2006 to move Ecstasy shipments across the Canada/U.S. border. In October, approximately 675,000 tablets of Ecstasy were seized in Washington state from a 28-foot marine vessel traveling from Victoria, British Columbia. Earlier in the year, a multi-commodity shipment of marihuana and Ecstasy tablets was seized from a private Canadian-registered Cessna aircraft that landed on the Columbia River near the Colville Indian Reservation in Washington. Large shipments of Ecstasy sent from Canada to Australia were smuggled via marine cargo. A relatively small shipment of Ecstasy tablets was smuggled inside a postal package sent from Markham, Ontario to a suburb outside Melbourne, Australia. The first seizure in Bogota, Colombia of Ecstasy originating in Canada was made from a Canadian air passenger body carrying 2,570 tablets en route to Quito, Ecuador.



MDMA/Ecstasy trafficking patterns

### Trafficking Activity and Groups

Organized crime continued to be the single most important factor determining the expansion of the domestic Ecstasy trade and of Canada's role as a source country for the international market.

The replacement of imported Ecstasy shipments from Europe with domestic supply is reflected by a dramatic decrease in the annual quantity of Ecstasy seized at Canadian ports of entry from 5.6 million dosage units in 2003 to just 1,623 in 2006. Since 2004, the amounts of MDMA smuggled into Canada have been minimal compared to the amounts seized domestically. This was again evident in 2006 when the amount seized at ports of entry represented merely a fraction of the estimated 3 million dosage units seized in the country.

The amount of Canadian-produced Ecstasy<sup>4</sup> seized by U.S. authorities increased significantly over the last few years, from 1.1 million in 2004 to 2.7 million in 2005 and, to 5.2 million in 2006.<sup>5</sup> Fewer seizures of Canadian-produced Ecstasy were effected in Australia in 2006, however the amount seized increased significantly due to a single seizure involving 1.2 million MDMA tablets. Multi-commodity, cross-border smuggling of Ecstasy, marihuana and/or ephedrine shipments continued in 2006. As well, the first multi-commodity shipment originating in Canada was seized in Australia. This was also the first detected large-scale, multi-commodity shipment of Ecstasy and cocaine.

4 Ecstasy was smuggled in both tablet and powder forms from Canada to the United States. The amounts seized, however, are expressed in dosage units which reflect both the number of tablets and the extrapolation of dosage units from the weight of powder shipments.

5 Source: U.S. Drug Enforcement Administration (DEA)

While there continues to be a myriad of organized crime groups linked to Ecstasy trafficking and distribution, criminal networks with origins in Asia continued to dominate the domestic trade, notably in production, exportation, importation of MDMA-related precursor chemicals and high-level trafficking. Indo-Canadian crime groups were again identified as multi-commodity smugglers of Ecstasy, marihuana and/or ephedrine shipments, utilizing commercial land transport to deliver shipments southbound from Canada and sometimes returning with exchange commodities such as cocaine, currency and firearms. Other organized crime groups have also been linked to this activity, however to a lesser extent.

### **Major Seizures**

- In March, 96,000 Ecstasy tablets and 36 kilograms of marihuana were seized from a private vehicle in Niagara Falls, New York en route from Ontario. Analysis revealed that the drug contained both MDMA and methamphetamine.
- In March, approximately 670,000 Ecstasy tablets and 375 kilograms of marihuana were seized in Blaine, Washington from a tractor trailer en route to Houston, Texas and Los Angeles, California from British Columbia.

- In March, 62 kilograms of MDMA powder were seized from a tractor-trailer in Detroit, Michigan en route from British Columbia and Ontario. The drug shipment was elaborately concealed in a remote control operated, secret compartment that had been installed in the ceiling of the tractor sleeper cab.
- In May, 65 kilograms of MDMA powder, 29, 870 Ecstasy tablets, 11,000 Valium tablets and 77 kilograms of marihuana were seized from a pickup truck in Molson, Washington en route from British Columbia.
- In June, 1.2 million yellow “triangle” logo Ecstasy tablets were seized in Melbourne, Australia from marine cargo en route from British Columbia.
- In July, 63 kilograms of Ecstasy tablets and 62 kilograms of marihuana were seized from a tractor trailer in Detroit, Michigan en route from Ontario.
- In September, 120,000 tablets of Ecstasy and 135 kilograms of cocaine were seized in Brisbane, Australia from marine cargo en route from British Columbia.

## **Key Findings**

- Air passenger couriers were predominant in smuggling shipments of methamphetamine from Canada to Japan and New Zealand.
- A rise in domestic meth production was signaled by increased ephedrine smuggling from China and India to Canada.

## **Demand**

Methamphetamine availability continues to expand eastward, impacting on addiction and associated crime rates. Higher rates of meth use continue to be reported among specific population segments, including youth and young adults attending raves and clubs, segments of the gay community, street kids and cocaine users. Traffickers continue their attempts to capture a wider user group by lacing other so-called “softer” drugs like Ecstasy and marijuana with methamphetamine. In Quebec, a higher rate of demand and use is explained by trafficking of the drug in tablet form. Youth and young adults who party at raves and nightclubs appear to have a preference for methamphetamine tablets which they consider to be more recreational and therefore safer than other forms of the drug.

## **Supply and Smuggling Patterns**

The Canadian meth trade derives the bulk of its supply from domestic laboratories. These labs have also become a growing source for the international market. While methamphetamine supply patterns have followed Ecstasy expansion to the global level, the flow of Canadian-produced meth to the United States remains limited. “Super labs”<sup>6</sup> located in Mexico and addiction-based labs<sup>7</sup> (also known as STLs/small toxic labs) in the United States currently supply most of the meth available in the U.S. illicit market.

Links between methamphetamine traffickers in Canada and other countries surfaced in 2003 and have grown stronger over the last several years. Significant methamphetamine seizures of Canadian origin were effected in 2006 by authorities in Japan and New Zealand. In all of these cases, the drug was transported via air passenger couriers traveling from Vancouver, British Columbia and was located inside both false-bottom and regular luggage. In a separate incident, authorities at Vancouver International Airport intercepted a courier package containing a small amount of methamphetamine en route to the United Kingdom. Similar to patterns of Ecstasy manufacture, organized crime groups involved in the meth trade turned to international smuggling of ephedrine from China and India, signaling heightened organized crime involvement in domestic meth production.

The number of methamphetamine lab seizures continued to decline from 29 in 2005 to 21 in 2006. Notwithstanding the decrease, the actual number of “super” meth labs discovered actually increased over the past year. The province of Ontario ranked second in the country behind British Columbia for the highest concentration of meth labs, however most of these labs have been addiction-based operations. The trend for potential eastward expansion of methamphetamine “super” lab activity identified in 2005 was realized in 2006. Two such operations were discovered in June and July, one located in rural Ontario and the other in a three-storey townhouse in Mississauga, Ontario. At the rural site, authorities seized 30 kilograms of finished methamphetamine HCl and an additional 25 kilograms of crystal methamphetamine.

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6 Economic-based labs, also known as “super labs”, are capable of producing over 5 kilograms of methamphetamine or Ecstasy (MDMA/MDA) in a single “run” or “batch”. In Canada, it is now very common for law enforcement to encounter labs utilizing multiple 22, 50 and even 72 litre setups.

7 Addiction-based labs are fueled by an addict’s desire to have a ready supply of the drug. This type of lab is capable of producing gram to ounce quantities.

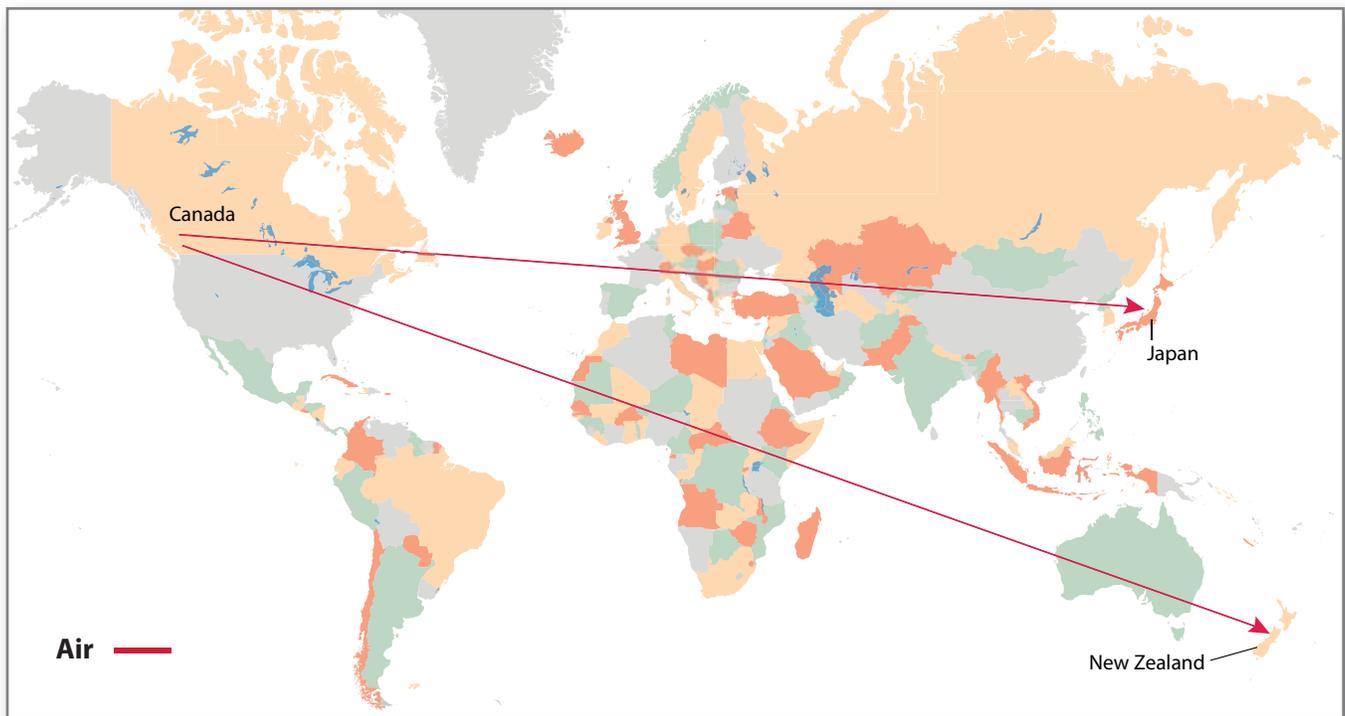
While there are an increasing number of economic-based meth labs being discovered in Canada, addiction-based labs remain problematic. In April 2006, Canada's National Association of Pharmacy Regulatory Authorities placed restrictions on the sale of medicines containing ephedrine and pseudoephedrine. In at least eight provinces, such medications have been removed from grocery and convenience stores and are only available behind the counter at pharmacies. The goal is to block access to these chemicals for use in small-scale methamphetamine production. However, a recent decision from the Ontario Superior Court of Justice ruled that the restrictions placed by the National Association of Pharmacy Regulatory Authorities should be considered of no force and effect.

### ***Trafficking Activity and Groups***

Canadian-based meth traffickers rely heavily on domestic supply although occasional small amounts of the drug are imported from the United States. As in past years, indications of possible smuggling of methamphetamine originating in Southeast Asia into Canada have not been supported by either seizures or investigational evidence. By comparison, Canada's increasing role as an exporter of methamphetamine has been substantiated for the last four years.

Crime networks with origins in Asia have further expanded their involvement in meth production and distribution, mainly in British Columbia, Alberta and Ontario. In 2006, Indo-Canadian crime groups surfaced in large-scale ephedrine importations from India to Canada for the purpose of domestic meth production. These groups are believed to be suppliers for crime networks with origins in Asia directly involved in methamphetamine synthesis operations. Organized crime groups of Asian origins were also directly responsible for smuggling ephedrine shipments from China to Canada.

Growing organized crime interests in the Canadian methamphetamine trade are reflected in the expansion of meth availability and trafficking from the Pacific region eastward and the extension of domestic distribution networks to the international market. The number and type of crime groups involved in the trade have increased significantly over the past decade and have transformed a once flat market into a multi-dimensional, booming industry. The long-standing involvement of outlaw motorcycle gangs, notably the Hells Angels, in meth production and trafficking remains strong and in some provinces these groups monopolize the regional market. Independent crime groups continue to be active across the country and in the Quebec region specialize in producing methamphetamine tablets for local as well as external markets. Aboriginal street gangs continue to be active in meth trafficking in both urban centres and in their communities in Western Canada.



*Methamphetamine trafficking patterns*

### **Major Seizures**

- In June, a methamphetamine “super lab” and approximately 35 kilograms of finished methamphetamine HCl were seized from a rural residence located in the Northern Bruce Peninsula, Ontario.
- In July, a methamphetamine “super lab” was discovered in a three-storey townhouse in Mississauga, Ontario. The home burned down due to a laboratory explosion. The two subjects involved in the operation died from their injuries.
- In July, a methamphetamine “super lab” was discovered in Surrey, British Columbia as a result of investigation. The lab was operational and was estimated to have a production capacity of over 10 kilograms per batch.
- In August, 4.5 kilograms of methamphetamine were seized from a false-bottom suitcase in Narita, Japan belonging to a Canadian air passenger traveling from Vancouver.
- In August, four kilograms of crystal methamphetamine were seized from 43 photo frames enclosed in suitcases in Auckland, New Zealand. The luggage belonged to two Canadian air passengers traveling from Vancouver.
- In December, a total of 16 kilograms of methamphetamine was seized from false-bottom suitcases in Osaka, Japan. The luggage belonged to four Canadian nationals who had traveled from Vancouver.

## Heroin

### Key Findings

- Southwest Asian heroin continued to dominate the Canadian market while Southeast Asian heroin has nearly disappeared, with no seizures reported in 2006.
- India remained the primary source/transit country of heroin coming to Canada in 2006.

### Demand

Heroin is a highly addictive substance, and is the most widely abused of the opiate drugs. However, heroin consumption in Canada remains one of the lowest of all forms of drugs. In fact, recent studies suggest that heroin use is becoming increasingly marginalized in favour of prescription versions of opiates, in various forms.

There have been marginal changes in the supply and demand for heroin in Canada over the past year. The availability and purity of heroin have not declined and prices remain mostly stable. The hardcore heroin addicts in Canada consume between one and two metric tonnes of heroin annually. Most reside in major metropolitan areas, primarily Vancouver and Toronto — two major ports of entry for the importation of heroin.

### Supply and Smuggling Patterns

Afghanistan continues to be the world's largest producer of opium, the precursor of heroin. Afghanistan's share of world opium production increased to 92 per cent in 2006 from 70 per cent in 2000. As a result, global heroin production reached a new record high in 2006 of 606 metric tonnes, surpassing the previous high recorded in 1999 (576 metric tonnes) by five per cent.

The supply of heroin from Southeast Asia has been significantly decreasing over the past few years. According to the UNODC 2007 World Drug Report, poppy cultivation in the Golden Triangle has fallen approximately 80 per cent since 2000 — due to the success of poppy eradication programs and unfavourable growing conditions. Opiates from Afghanistan are



*Seized heroin shipment*

now supplying the markets of Asia, compensating for these lower production levels, as well as being trafficked to North American markets through Africa and/or Europe.

In Canada, there was a 12 per cent increase in heroin seizures between 2005 (83 kilograms) and 2006 (93 kilograms). This follows a trend which shows a constant increase in heroin seizures on average of approximately 12-15 kilograms per year since 2002. However, this does not necessarily reflect an increase in demand or addiction rates.

The Canadian market in previous years has been dominated by heroin from Southeast Asia, however, in 2006, there were no reports of heroin seizures originating from this region. In fact, between 2004 and 2006, seizures of heroin from Southeast Asia accounted for only three to four per cent of the total seized in Canada. Southwest Asian heroin continues to dominate the Canadian market, accounting for approximately 75 per cent of the heroin seized. India has once again emerged as the number one source/transit country to Canada. Heroin from Latin American countries continues to have a presence in Canada, but there were few significant seizures in 2006.

Various methods are used to import heroin into Canada including postal and courier modes, air transport, as well as commercial or personal vehicles. In 2006, the largest number of heroin seizures occurred in the air passenger and postal modes, however, the largest single quantity of heroin seized arrived via marine cargo. The postal mode continued to be a popular method for smuggling smaller quantities of heroin into Canada. In 2006, the majority of heroin smuggled into Canada using this mode originated in India.

An array of concealment methods are utilized to smuggle heroin, particularly in the case of air passengers, and include swallowing the drug, and using modified suitcases and false-bottomed products such as shoes, hairspray/shaving cream containers, and ceramic/cooking pots.

### **Trafficking Activity and Groups**

For several years, organized crime groups with origins in Southeast Asia dominated the heroin trade in Canada. However, since 2003, their activity in the Canadian heroin market has declined in favour of the production and trafficking of synthetic drugs, particularly Ecstasy, marihuana and cocaine.

At the same time, heroin originating from Southwest Asia and Latin America has become more available, as evidenced by an increase in seizures at Canadian ports of entry. Organized crime groups with origins in Southwest Asia and Latin America have taken over the Canadian heroin market. For example, Indo-Canadian criminal groups import heroin from India into Canada using couriers or mules, and sell it to other organized crime groups for resale to the Canadian public.

### **Major Seizures**

- In June, 700 grams of black tar heroin were seized from a U.S. vehicle at an Alberta port of entry. Black tar heroin is rarely encountered in Canada, in contrast to the United States, where it is the most prevalent.
- In July, the largest single heroin seizure of 2006 occurred in Vancouver, British Columbia. Approximately 27 kilograms arrived by sea at the Port of Vancouver from India. The “Asian brown” heroin was disguised among bags of rice.
- In August, 16 kilograms of heroin, concealed within the lining of luggage, were seized at Toronto Pearson International Airport. The passenger, a national of India and a Canadian permanent resident, was returning on a flight from India.
- In October, 15 kilograms of heroin were seized at the Toronto Pearson International Airport. The heroin was concealed in wooden crates hidden in the false bottoms of luggage. The passenger, a U.K. national and resident of Hong Kong, was arriving on a flight from India.
- In November, the largest postal heroin seizure was made at the Toronto International Mail Centre where one kilogram of heroin, concealed in a parcel originating in India, was intercepted.

### **Seizures en route to Canada**

- In May, U.S. authorities seized nearly two kilograms of heroin from a U.S. citizen departing on a flight from New York for Toronto. The drug was concealed inside the passenger’s luggage.
- In July, German airport authorities discovered three kilograms of heroin concealed in a false-sided suitcase belonging to a passenger who was transiting Germany en route to Canada from Ghana.
- In August, Canadian authorities at Toronto Pearson International Airport were alerted, by U.S. Drug Enforcement Agents, to the arrival of a parcel from Miami which contained 433 grams of heroin. The parcel originated in Venezuela and was destined for London, Ontario.

### **Key Findings**

- Canada has seen a dramatic increase in opium seizures from 16 kilograms seized in 2005 to approximately 124 kilograms in 2006.
- In 2006, India was the primary source/transit country for opium seizures in Canada; however, Iran and Turkey accounted for the most significant and largest individual seizures.
- As a result of the massive expansion of opium production (+49%), Afghanistan accounted for 92 per cent of global illicit opium production in 2006.

### **Demand**

The usage of opium is quite common in various segments of Middle Eastern communities, primarily older, middle to upper class males. The majority of the opium imported to Canada is to satisfy the demand of such groups. Within Canada, large Middle Eastern communities exist in both Vancouver and Toronto.

### **Supply and Smuggling Patterns**

Opium is native to Southeastern Europe and Western Asia. In 2006, poppy farmers in Afghanistan were able to achieve higher crop yields of opium, as compared to other growing regions. This resulted in an increase in opium production by almost 50 per cent. The Helmand province produced 42 per cent of the total opium cultivated in Afghanistan. As a result, Afghanistan alone accounted for 92 per cent of global production in 2006, producing 6,100 metric tonnes of opium at an average opium yield of 37 kilogram per hectare.

Canada has seen a dramatic increase in opium seizures, particularly in the last quarter of 2006. Opium seizures for 2006 represent the greatest yearly quantity of opium seized over the past five years. Seizures jumped significantly between 2005 (16 kilograms) and 2006 (124 kilograms), indicating either an overall increased flow of this substance to the Canadian market, a trend toward transporting larger quantities in single shipments, improved detection methods or technologies, or changes in the number of personnel assigned to ports of entry. The seized quantities ranged from 40 grams to approximately 35 kilograms.

Opium originating in/transiting India accounted for the largest number of seizures overall, while the largest quantities of opium seized originated in/transited Iran (approximately 51 kilograms), followed by Turkey (approximately 32 kilograms) and India (approximately 11 kilograms).

Methods of transportation remained the same in 2006 as in previous years, and largely mirrored those used to smuggle heroin. Several large opium seizures were made via the commercial air freight stream and the courier mode. The postal mode continued to be a popular method for smuggling smaller quantities of opium into Canada and, as with heroin, the majority of it originated in India.

### **Trafficking Activity and Groups**

Organized crime groups of Middle Eastern origins, particularly in British Columbia, are among the few groups in Canada that specialize in the importation and trafficking of opium. Some Independent criminal networks have also been linked to this market.

### **Major Seizures**

- In October, a courier parcel, originating in Turkey for a destination in the GTA, was seized at Toronto Pearson International Airport. The parcel contained 12 kilograms of opium concealed in a shipment of leather bags.
- In October, authorities seized 10 kilograms of opium and 61 kilograms of hashish from a commercial shipment which arrived via air cargo at Toronto Pearson International Airport. The shipment, declared as lighting fixtures, originated in Iran and was destined for Toronto, Ontario.
- In November, the largest opium seizure of approximately 35 kilograms occurred at Toronto Pearson International Airport. An air cargo container, originating in Iran and destined for Ontario, contained opium concealed in a hidden compartment under the floorboards of a crate of furniture.



*Opium shipment in leather bag*

### ***Seizures en route to Canada***

The following are three examples of significant international seizures of opium destined for Canada in 2006. All of these shipments originated in Turkey.

- In June, a shipment of briefcases, destined for Toronto, Ontario, was intercepted and seized at the Brussels Airport. Approximately 54 kilograms of opium were concealed in the sides of the briefcases.
  - In October, a shipment of leather bags, destined for Toronto, Ontario, was seized by U.S. law enforcement. Approximately nine kilograms of opium were discovered in the sides of the bags.
  - In December, U.S. law enforcement seized a shipment of shish kabob cooking machines destined for Montreal, Quebec. Anomalies in the bases of these machines prompted further inspection, revealing 15 kilograms of opium.
- In November, 20 kilograms of opium were seized at the Toronto Pearson International Airport. The opium was concealed in hosepipes that were part of a parcel which arrived via courier from Turkey destined for the GTA.
  - In December, the largest postal seizure of opium occurred at the Vancouver Postal Unit where one kilogram of opium, originating in the United States and destined for British Columbia, was discovered in a parcel declared as craft materials.

## OTHER SYNTHETIC DRUGS

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### **Key Findings**

- A resurgence in organized crime links to anabolic steroid trafficking emerged in 2006.
- While diverted prescription drugs like oxycodone/OxyContin continue to be supplied primarily from domestic sources, indicators point to a potential increase in international smuggling to meet demand.
- The first large seizure of Rohypnol, a date rape drug popular in the U.S. illicit market, was effected in Canada in 2006.

### **Demand**

Demand and supply patterns for longstanding substances such as LSD, PCP and psilocybin have changed dramatically over the last decade, yet have remained stable in recent years. As the Ecstasy trade emerged, and the market for methamphetamine revitalized, trafficking and use of these drugs decreased. Notwithstanding, these and other synthetic substances continue to be present at youth and young adult entertainment venues and are often taken either in conjunction with, or as supplements to, the more popular methamphetamine and Ecstasy. Moreover, user groups across the country continue to consume these drugs for their own effects.

Anabolic steroids and diverted pharmaceuticals continue to be in demand by specific user populations who also take these drugs for their specific chemical properties. User groups for anabolic steroids range widely in age, however appear to be mostly concentrated in the sports/fitness consumer category. Availability of, and demand for, other diverted pharmaceuticals remained stable in 2006. Notwithstanding, the abuse of OxyContin remained a notable concern, particularly in Eastern Canada.

Ketamine and Gamma Hydroxy Butyrate (GHB) gained popularity as new 'club drugs' that were introduced alongside MDMA in the late 1990s and continue to have steady supply and demand patterns. While GHB

is generally administered by itself, ketamine is known to be an active ingredient in Ecstasy tablets, and is also used for its own hallucinogenic effects<sup>8</sup>.

### **Supply and Smuggling Patterns**

There are indications that PCP, LSD and psilocybin continue to be supplied to the Canadian illicit market from domestic clandestine laboratories.<sup>9</sup> With the exception of anabolic steroids, diverted pharmaceuticals are frequently obtained from domestic supply sources across the country. The smuggling of oxycodone/OxyContin from Canada to the United States continued in 2006. These products are mostly diverted from domestic sources; however, in 2006, a shipment of 10,000 tablets of oxycodone was seized in Montreal from a parcel sent from Argentina.

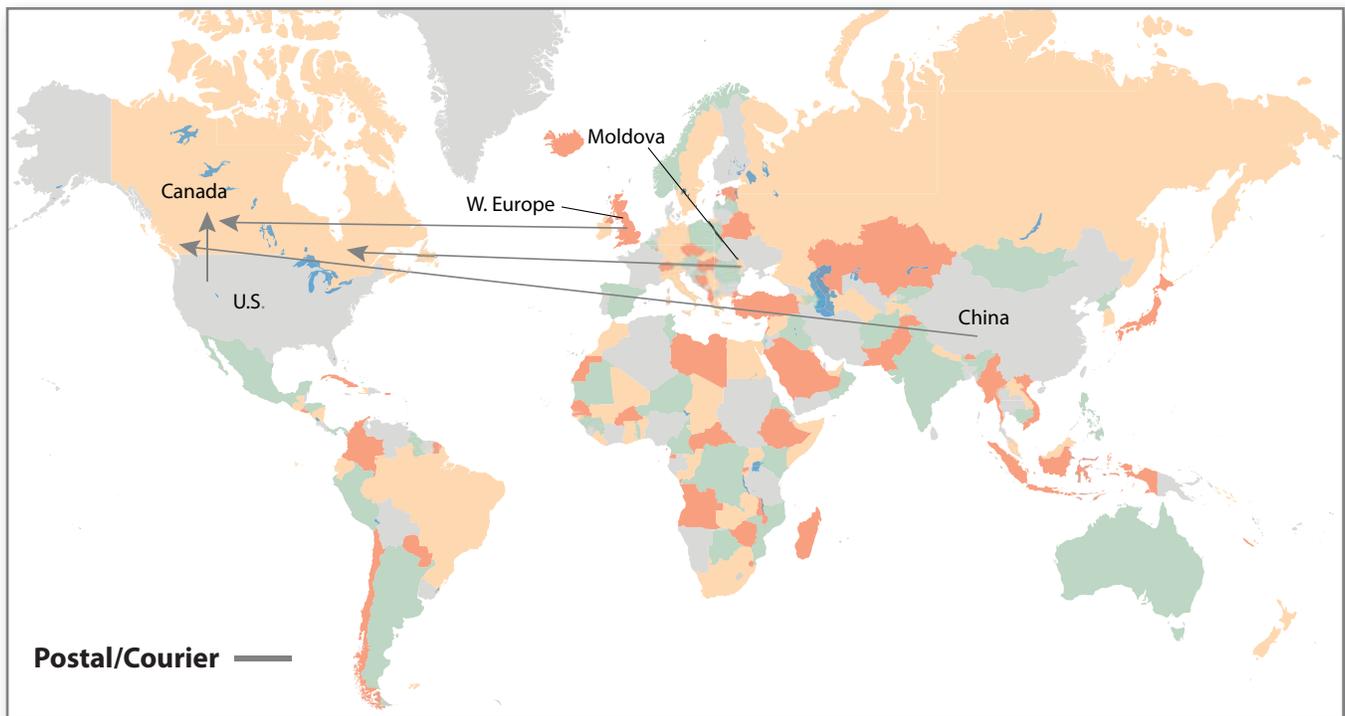
Several seizures of imported prescription drugs used to treat erectile dysfunction were strong indicators that the market for this drug type remained active in 2006. A shipment from India was smuggled via postal mode, while two shipments originating in Pakistan and China were imported via air cargo. The air cargo consignments involved multi-commodity shipments: tadalafil (brand name Cialis), a drug similar to Viagra, and ketamine imported from Pakistan; and, counterfeit Cialis, Viagra, and Rohypnol imported from China. In the latter case, the drugs were concealed among a shipment of counterfeit-brand clothing. Rohypnol is the former trade name for flunitrazepam, a benzodiazepine derivative that has powerful sedative and relaxant effects. Similar to GHB and ketamine, Rohypnol has been used as date rape drug and has been frequently encountered in the U.S. illicit market. By comparison, Rohypnol has been infrequently encountered in the Canadian illicit market and this was the first large seizure of its kind in Canada.

Illicit shipments of anabolic steroids intercepted at Canadian ports of entry in 2006 were imported from China and Europe and, to a lesser extent, the United States. Most of the shipments were smuggled into the country via postal mode. The country of Moldova

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8 Ketamine is a chemical relative of PCP.

9 Seizures of LSD or PCP labs have not been reported since the late 1990s/early millennium.



*Anabolic steroids trafficking patterns*

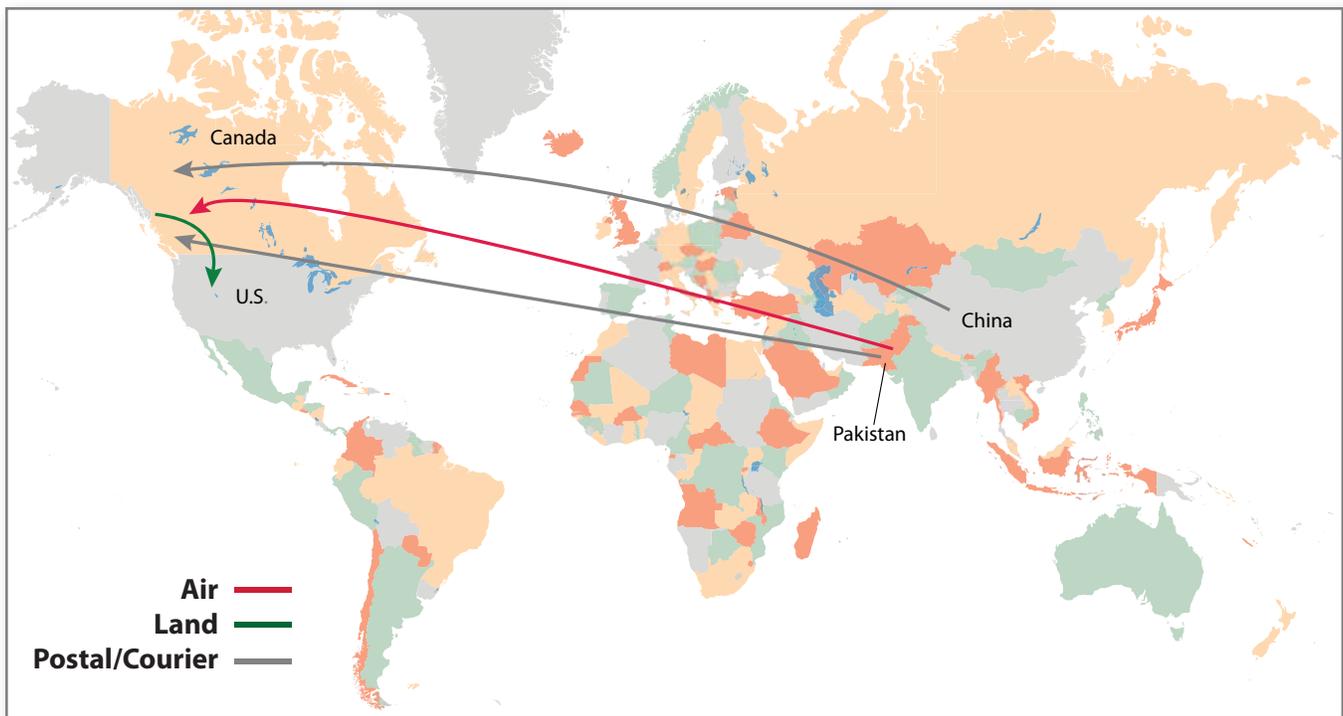
emerged as a point of origin for anabolic steroids smuggled into Canada. Six seizures totaling over 200,000 tablets of and 20 litres of injectable anabolic steroids were seized at the Toronto International Mail Centre. Moldova's neighbour, Romania, is well known as a country of origin/transit for anabolic steroids illicitly entering Canada via the postal system.

Ketamine that is available in or transits Canada is diverted from both domestic and foreign sources. The 2006 multi-commodity seizure from Pakistan noted above involved 60 bottles of ketamine totaling 10 kilograms. Ketamine shipments were also smuggled from Canada to the United States via commercial vehicle and air. A nine month-long investigation in Calgary, Alberta netted a multi-commodity seizure of 210 vials of ketamine, 9,000 tablets of diazepam, 30 kilograms of cocaine and 500 kilograms of marijuana. Also seized was a twin-engine airplane used to transport the drug shipments back and forth from Canada to the United States. In another cross-border seizure, 50 kilograms of ketamine were seized from inside the doors of a tractor trailer that was traveling from British Columbia to Washington State.

GHB availability is generally dependent on clandestine domestic production, although small quantities of the drug are occasionally imported from other countries. As well, traffickers obtain the precursor chemical GBL from domestic sources or from foreign sources via the internet/postal system for the production of GHB.

### **Trafficking Activity and Groups**

Ketamine, anabolic steroids, and to a lesser extent, GHB and diverted prescription drugs, comprised the highest incidence rates of trafficking activity for this group of synthetic substances in 2006. During the millennium years, organized crime involvement in anabolic steroid trafficking declined compared to the 1990s. Single seizures in late 2006, however, were reminiscent of past trends involving amounts exceeding 100,000 dosage units, pointing to organized crime operations. In September 2006, Edmonton Police Service (Project GAUNTLET) concluded an undercover investigation targeting the illicit importation of anabolic steroids into Canada by a global steroid trafficking organization. An estimated one million tablets of and 73 litres of injectable anabolic steroids, originating in China and Eastern Europe, were smuggled into Canada by this organization since February 2006.



*Ketamine trafficking patterns*

Organized crime involvement in GHB trafficking remained less apparent while, despite lower total seizure amounts for 2006, organized crime activity in ketamine trafficking remained stable. Indo-Canadian and Independent organized crime networks, as well as crime groups of Asian origins, have been linked to the illicit ketamine trade. Organized crime links to pharmaceutical diversion continue to be mostly limited to large-scale importations, although indicators show that organized crime interests may be expanding to domestic diversion and distribution.

### **Major Seizures**

- In March, 50 kilograms of ketamine were seized in Blaine, Washington from a tractor trailer en route from Canada. The drug was concealed inside the doors of the vehicle.
- In April, 10,000 oxycodone tablets were seized in Montreal from a postal parcel arriving from Argentina.
- In July, 285,767 dosage units of anabolic steroids were seized in Vancouver from two postal parcels originating from the same exporter in China.

- In September, 600,000 tablets of counterfeit Cialis and Viagra and 300,000 Rohypnol tablets were seized at Trudeau International Airport in Montreal from air cargo originating in China.
- In October, 28 kilograms of ketamine, one kilogram of methamphetamine and 22 kilograms of marijuana were seized from a private residence in Richmond, British Columbia. Also seized were money, ammunition and a firearm, a commercial grade pill press and drug manufacturing equipment.
- In October, 125,000 dosage units of anabolic steroids and 14,000 Clenbuterol tablets (an asthma medication popular among athletes because of its fat burning properties) were seized in Vancouver from a postal shipment en route from China and destined for Edmonton, Alberta.

### **Key Findings**

- Importations of MDMA and methamphetamine precursor chemicals continued to increase in 2006, representing a major shift from domestic diversion to international smuggling.
- Organized crime groups of Asian origins and Indo-Canadian crime networks were at the forefront of numerous precursor chemical smuggling operations in 2006.

### **Demand**

Synthetic drug traffickers increased their demand for smuggled precursor chemicals from international sources in 2006. This represents a major shift from domestic diversion to large-scale importation. Legislative, governmental, industry and community measures have had a significant impact on reducing chemical diversion within Canada and from Canada to the United States. In effect, displacement has occurred whereby organized crime groups have turned to international sources of supply to obtain precursors required for Ecstasy and methamphetamine production.

### **Supply and Smuggling Patterns**

During 2006, the most frequently smuggled precursors from other countries into Canada were ephedrine (methamphetamine production) and 3,4-Methylenedioxyphenyl-2-propanone, also known as MDP2P or PMK (for the production of MDMA and its analogues). Importations of gamma butyrolactone (GBL) also occurred (GHB production).

Importations of MDP2P from China to Canada via marine cargo began in late 2004.<sup>10</sup> Two shipments of the chemical were intercepted by Canadian authorities in 2006. In one case, the smugglers attempted to import a multi-commodity shipment containing almost five

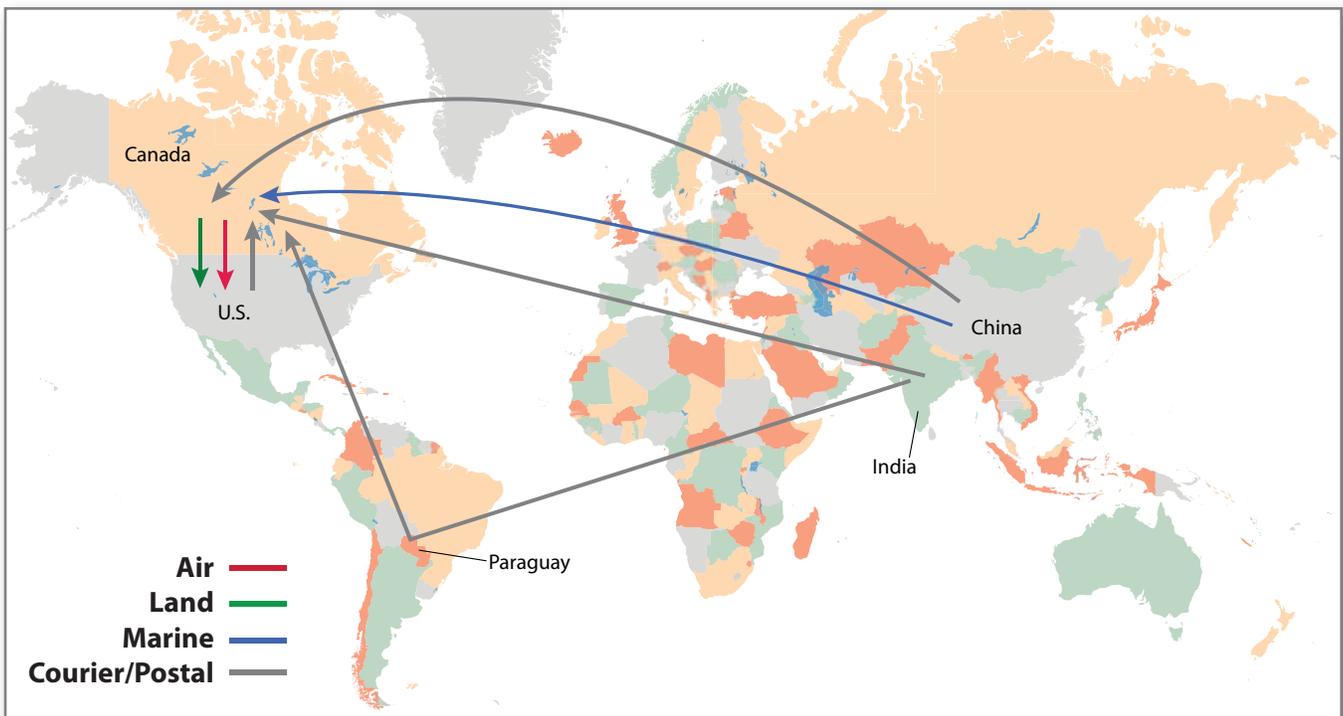
tonnes of MDP2P, one tonne of ephedrine and 7,200 cartons of contraband cigarettes. As of May 2006, a total of 12,820 litres of MDP2P had been seized at Canadian ports of entry.

Ephedrine smuggling from international sources increased significantly in 2006. At least 1.3 tonnes of ephedrine were seized at Canadian ports of entry while an estimated 1.1 tonnes were seized en route to Canada. Several seizures were effected in India en route to Canada via courier consignment. In March, 500 kilograms of ephedrine were seized in Asuncion, Paraguay from air cargo en route from India to Toronto, Ontario. China was also identified as a source for ephedrine smuggled into Canada. As previously noted, one tonne of ephedrine along with shipments of MDP2P and contraband cigarettes were seized from marine cargo originating in China. Also during the year, 98 kilograms of ephedrine were seized at Vancouver International Airport from air cargo, also originating in China. Two postal shipments of ephedrine tablets sent from China were also seized in Vancouver. Kenya was identified as a point of origin for a shipment of 175 kilograms of ephedrine that was seized at Toronto Pearson International Airport from a courier consignment en route to Brampton, Ontario. The primary source for the chemical was not confirmed in this case.

Cross-border smuggling of ephedrine from Canada to the United States has greatly diminished in recent years but continues to be detected. Shipments are either sourced directly from Canadian suppliers or are transhipped through Canada for further transport to the United States. Multi-commodity shipments of ephedrine and marijuana and/or Ecstasy smuggled from Canada to the United States via private and commercial land conveyance were observed as an emerging trend in 2005 and remained on the trafficking radar in 2006.

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<sup>10</sup> MDP2P is produced mainly in China and in smaller quantities in Eastern Europe. All of the MDP2P that has been seized being smuggled into Canada originated in China.



*Precursor chemicals trafficking patterns*

Illicit imports of GBL (for the production of GHB) into Canada were linked to China and the Netherlands in 2006. The United States was identified as the source for approximately 21 kilograms of phenylacetic acid<sup>11</sup> seized by authorities at Vancouver International Airport.

### **Trafficking Activity and Groups**

Chemical trafficking activity in Canada has increasingly expanded from primarily domestic diversion to international smuggling. Notwithstanding this, domestic supply sources continue to be targeted. In 2006, a shipment of chemicals (hydriodic acid, dichloromethane) used to produce methamphetamine was seized from a transport truck originating in Montreal en route to Surrey, British Columbia. The products were purchased by a licenced dealer who had apparently been purchasing chemicals for resale to persons involved in methamphetamine production. In Quebec, 900 kilograms of red phosphorous were seized from a residential garage and a commercial

storage locker belonging to a chemistry student who had been selling the chemical over the internet. The subject was charged with selling and possessing chemicals for the manufacture of methamphetamine.

Organized crime groups of Asian origins and Indo-Canadian networks figured prominently as high-level chemical traffickers operating at both the distribution and transport levels of the trade. In particular, Indo-Canadian crime groups were identified as major importers in 2006, arranging for and executing large shipments of ephedrine from India to Canada. There are indications that Indo-Canadian groups were collaborating with crime networks with origins in Asia in many of these importations. In one case, 100 kilograms of ephedrine were seized in India en route via air cargo to the United States. The Canadian link involved a Canadian citizen who smuggled similar shipments to both the United States and Canada via air and water routes for the past

<sup>11</sup> Phenylacetic acid is a precursor chemical used to manufacture P2P, an immediate precursor in the manufacture of methamphetamine. This chemical has fallen out of favour with traffickers in the last decade, replaced by ephedrine and or pseudoephedrine as the primary precursors used in meth production. The use of P2P yields smaller quantities of meth per batch which explains why organized crime enterprises would not choose this synthesis route.

several years. Criminal networks with origins in Asia have been identified most frequently with the smuggling and distribution of Ecstasy chemical precursors but also have showed an increasing interest in the meth trade, as exemplified by several importations of ephedrine from China and India in 2006. Independent crime groups as well as individuals continued to be involved in domestic smuggling and, to a lesser extent, in illicit importation.

### **Major Seizures**

- In March, 500 kilograms of ephedrine were seized in the international airport in Asuncion, Paraguay en route from India to Toronto.
- In April, five metric tonnes of MDP2P (PMK), one metric tonne of ephedrine and 7,200 cartons of contraband cigarettes were seized from marine cargo in Vancouver en route from China. The shipment, concealed in a consignment of clothing, was destined for Winnipeg, Manitoba.
- In April, 400 litres of hydriodic acid and 20 litres of dichloromethane were seized in Richmond, British Columbia. The shipment had been transported by commercial truck from Montreal to Surrey, British Columbia.
- In May, 2.5 metric tonnes of MDP2P (PMK) were seized from marine cargo in Toronto en route from China via Vancouver. The chemical was concealed among a shipment of plastic pitchers, cups, shelving units and pails.
- In September, 240 kilograms of ephedrine were seized in New Delhi, India from a courier consignment en route to Canada. An additional 310 kilograms of the chemical were seized from an individual who had come to arrange for the shipment of this second consignment to Canada.
- In September, 900 kilograms of red phosphorous and equipment necessary to manufacture methamphetamine were seized from a residential garage and from a commercial storage locker in Gatineau, Quebec.

## PROCEEDS OF CRIME: STREET-LEVEL VALUE OF DRUGS SEIZED IN CANADA

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Drug trafficking is a highly lucrative activity, generating more profits than any other form of commodity trafficking. Organized crime groups are typically engaged in this business for the money. This section discusses the estimated lost revenue to organized crime of the drugs seized by law enforcement. The potential revenues are based on the known street-level dollar values assigned to the various drugs as reported across the country.

### **Key Findings**

- In 2006, the total value of potential proceeds of drug seizures by Canadian law enforcement agencies amounted to \$2.3 billion.

Money laundering is the process whereby money and assets obtained through criminal activity are disguised to obscure their origin. Money laundering involves placing illegitimate proceeds into the system, performing a series of varied layered transactions to hide the source of the funds, and finally, integrating the funds into the legitimate financial system in order to use them without scrutiny.

Drug trafficking involves large amounts of cash in small denominations that needs to be legitimized. Drug traffickers use a variety of methods to launder drug proceeds such as wiring proceeds to offshore accounts in a series of small transactions to evade suspicion, or utilizing legitimate businesses that operate with high volumes of cash to commingle legitimate and illegitimate funds.

In 2006, the total potential proceeds of drug seizures amounted to \$2.3 billion. Table 1 represents the amounts of drugs seized by Canadian law enforcement agencies and the potential proceeds they would net at street level. For the purpose of this analysis, the lowest street prices were used to calculate the proceeds.

### **Cannabis Derivatives**

Cannabis derivatives, which include marihuana, hashish and hashish oil, represented approximately 93 per cent (\$2.17 billion) of all of the potential proceeds from the illicit drugs seized. At a cost of \$10 per gram and \$1,000 per plant, the total amount of marihuana seized represented \$1.8 billion on the street. The price of hashish and hashish oil ranged from \$10-\$70 per gram on the street. Based on the 28.7 tonnes seized in 2006, the potential proceeds would be \$287 million.

### **Opium**

The total amount of opium seized represented less than one per cent of the total proceeds seized in 2006. The seizure of 124 kilograms of opium translated to \$3.7 million dollars street value. Opium sold for between \$30-\$150 per gram on the street, depending on the region of Canada.

### **Heroin**

The total amount of heroin seized represented less than one per cent of the total proceeds seized in 2006 for all illicit drugs in Canada. The seizure of 93 kilograms of heroin represented \$16.7 million in potential proceeds, based on a street value of \$180 per gram. The price of heroin varied substantially throughout Canada, ranging from \$180-\$1,200 per gram.

### **Cocaine**

The total amount of cocaine seized represented 3.8 per cent of the total proceeds seized in 2006 for all illicit drugs in Canada. The seizure of 2,676 kilograms of cocaine represented proceeds of approximately \$107 million. The street value of cocaine ranged from \$40-\$200 per gram and varied significantly by province/territory and within each respective city.

### **MDMA/Ecstasy**

The amount of Ecstasy seized (65 kilograms and 3,000,347 units) comprised approximately one per cent of all potential drug proceeds for 2006 in Canada – an

**Table 1: Potential Drug Proceeds Net at Street Level for 2006**

Drug Type	Units	Price/Unit (CAD\$)	Proceeds
Cannabis Plant	1,749,057 plt	\$1,000	\$1,749,057,000
Cannabis Herb	13,154,075g	\$10	\$131,540,750
Hashish	27,730,066g	\$10	\$277,300,660
Hashish Oil	1,060,511g	\$10	\$10,605,110
Opium	124,683g	\$30	\$3,740,490
Heroin	93,246g	\$180	\$16,784,280
Cocaine	2,676,000g	\$40	\$107,040,000
MDMA/Ecstasy	65,505g	\$200	\$13,101,000
	3,000,347 units	\$5	\$15,001,735
Methamphetamine	58,506g	\$70	\$4,095,420
Khat (Catha Edulis)	13,917,012g	\$0.50	\$6,958,506
	1,262 bundles	\$25	\$31,550
<b>Total</b>			<b>\$2,335,256,501</b>

equivalent of \$28 million in potential proceeds. Units of Ecstasy ranged in price from \$5-\$40, depending on the province/territory and the venue. Because Ecstasy was more commonly sold by pill or tab, there was little information regarding pricing per gram, therefore the price for British Columbia at \$200 per gram was used for these calculations.

### **Methamphetamine**

The total amount of methamphetamine seized represented less than one per cent of the total proceeds seized in 2006. The 58 kilograms of methamphetamine represented the equivalent of approximately \$4 million in potential proceeds. Street prices ranged from a low of \$70 per gram to a high of \$200 per gram.

### **Khat (Catha Edulis)**

The total amount of khat seized represented less than one per cent of the total proceeds seized in 2006. Khat is seized in terms of bundles and weight. Bundles ranged

in price from \$25-\$40 each and the cost per gram was standard across Canada at \$0.50 per gram. There were 1,262 bundles and 13 metric tonnes of khat seized, which represented a total potential street value of \$6.9 million.

Based on the seizure data for 2006, Canadian law enforcement agencies were able to prevent \$2.3 billion in potential value of drugs from reaching the streets. Estimating the amount of drugs seized is difficult due to the nature of the market. For the purpose of comparison, Table 2 illustrates a few possible drug seizure scenarios.

For example, assuming only five per cent of the drugs coming into Canada were seized by Canadian law enforcement agencies in 2006, and based on the estimated street value of all drugs seized in 2006 as reported in Table 1 (\$2.3 billion), then the drug market would be worth approximately \$46 billion. Based on the following seizure scenarios, the Canadian drug market could be worth between \$11 billion to \$46 billion as shown in Table 2 below.

**Table 2: Estimated Proceeds of Crime Representing Lost Revenue for Organized Crime**

Percentage (%) of Total Drugs Seized	Total Estimated Proceeds
5	\$46,705,130,020
10	\$23,352,565,010
15	\$15,568,376,673
20	\$11,676,282,505

## EMERGING TRENDS

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This section highlights new patterns relating to cannabis, cocaine, and opiates, both globally and within Canada.

As drug law enforcement efforts continue to improve, more drugs are intercepted worldwide. In response, organized crime groups have developed new trafficking routes, exploiting areas of political instability and disorganization, corruption and poor governance in order to ship their products to international markets. There are indications that drug traffickers, particularly those involved with the cocaine and heroin trades, have targeted Africa as a new transshipment point for shipments bound for North America and Europe.

Another trend which has arisen concerns the alteration of existing drugs, by adding new ingredients or developing new processing methods. Blending or cutting drugs with these new additives can potentially increase the addictive properties of the drugs, thereby increasing demand and raising profit margins.

### ***Africa: Transshipment continent for cocaine and heroin***

African countries facing serious social and infra-structural issues including extreme poverty, political instability, and rampant corruption, in combination with their geographical location, have facilitated the establishment of organized crime. Accordingly, a recent trend identified over the last two to three years is the use of West African countries as transshipment points and storage for South American cocaine destined for the European market. Cocaine smuggled into transit countries such as Cape Verde, Guinea Bissau, the Canary Islands, Ghana, Togo, Benin, Nigeria, Liberia, and Senegal, is subsequently shipped to Spain and Portugal.

Despite the fact that seizures in Africa represented only 0.3 per cent of global cocaine seizures in 2005, cocaine trafficking through West Africa destined for the European market has been identified as a serious problem by the United Nations. Cocaine seizure cases in Europe having transited Africa increased to 12 per cent by 2006 from 9 per cent in 2005.

As Colombian and Latin American criminal organizations have reportedly been establishing themselves in the West African region, it is predicted that this continent's role will increase in the global cocaine trafficking market. Although, to date, there have been no reported cocaine seizures in Canada linked to Africa. Previous large drug seizures (hashish and cocaine), made either en route to Canada or at Canadian marine ports, demonstrate the smuggling risk posed by mother ship and marine cargo containers. Moreover, the air passenger stream is also a risk as African passengers aboard flights to Europe have been used as drug mules, which can also occur in Canada.

Africa is also being targeted by heroin smugglers from Southwest Asia as they seek new routes to ship their product to North American and European markets. Opiate consumption and abuse are increasing in parts of Africa. Research shows that increased usage is a common trend along main drug trafficking routes and within countries that are used as transit points.

### ***Cannabis derivative: "Budder"***

"Budder", a cannabis derivative believed to have emerged in 2004 in the Vancouver area, is synthesized by whipping air and freezing isomerized hash oil. This new drug reportedly has THC levels ranging from 82 per cent to 99.6 per cent: three grams of "Budder" is described as equivalent to 100 hits of smoked marijuana. "Budder" is consumed by placing the product on heated items, such as knives or coins, and inhaling the resulting smoke. The popularity of "Budder" appears to be increasing among marihuana users. While the production and use of marihuana is not expected to decline significantly as a result of this new drug form, dealers will face competition from dealers of hash oil and "Budder", as the popularity of this drug increases. An increase in demand and production of "Budder" may occur due to its higher THC content, although, the danger and lengthy process to produce "Budder" may act as a deterrent. Sporadic reports of "Budder" have been encountered by law enforcement, with most reporting concentrated in California and British Columbia.

## **Opiates**

A dangerous new street drug, known as “cheese” — a deadly concoction of black tar heroin and nighttime cold medicine — is being blamed for more than a dozen deaths in the United States. The victims were primarily teens. “Cheese” is very inexpensive and can be smoked or snorted instead of injected. Drug experts in Canada are closely monitoring the situation, but so far, there is no evidence to suggest this problem is occurring in Canada.

The abuse of fentanyl patches is becoming more widespread in the United States. More potent than either heroin or morphine, fentanyl — a synthetic opiate — has

been blamed for several overdose deaths. The street price of these patches is relatively inexpensive, making it very appealing for teenagers. There are reports that fentanyl is also being used as a cutting agent for heroin, however, there have been no cases reported in Canada at this time.

Impoverished farmers in Southern Iraq are believed to be planting poppies, attracted to the higher profits to be made from opium than from rice. Conditions there are good for growing poppies, which could result in Iraq becoming a significant source country for opium and heroin in the future.

## APPENDIX "A"

<b>Canada Drug Seizure Data</b>		
	<b>2005</b>	<b>2006</b>
Cocaine	2,556 kg	2,676 kg
Hashish	438 kg	27,730 kg
Hashish Oil	71 kg / 68 lt	1,060 kg
Heroin	83 kg	93 kg
Khat (Catha Edulis)	17,411.5 kg	13,917 kg
Marihuana	2,055,715 plt / 56,226 kg	1,749,057 plt / 13,154 kg
MDMA/Ecstasy	3,200,000 units	3,000,347 units
Methamphetamine	58.434 kg / 2,000 units	58.506 kg
Opium	16 kg	124 kg

<b>Clandestine Laboratories</b>		
	<b>2005</b>	<b>2006</b>
MDMA/Ecstasy	17	15
Methamphetamine	29	21
Cannabis Extraction	5	3

*Note: There were some errors in seizure data reported in the Drug Situation Report 2005. These errors have been corrected in the above comparative table.*