



RCMP Criminal Intelligence

DRUG SITUATION IN CANADA — 2007





DRUG SITUATION IN CANADA — 2007

This report was prepared by National Intelligence Analysis, Criminal Intelligence, Royal Canadian Mounted Police.
Inquiries and comments about this publication should be directed to:

Criminal Intelligence
Royal Canadian Mounted Police
1200 Vanier Parkway
Ottawa, Ontario K1A 0R2
Canada
HQ_Criminal_Intelligence@rcmp-grc.gc.ca

ISBN: 978-1-100-12436-0
Cat. No.: PS61-14/2007E-PDF

TABLE OF CONTENTS

- Executive Summary1**
 - Highlights2**
 - Disclaimer2**

- Cannabis3**
 - Marihuana3**
 - Hashish and Hash Oil6**

- Cocaine8**

- Khat (Catha Edulis)12**

- MDMA (Ecstasy)14**

- Methamphetamine18**

- Opiates 22**
 - Heroin22**
 - Opium24**

- Other Synthetic Drugs 26**

- Precursor Chemicals 30**

- Proceeds of Crime: Street-level Value of Drugs Seized in Canada33**

- Appendix A — Canada Drug Seizure Data 35**

- Glossary 36**

EXECUTIVE SUMMARY

The 2007 Annual Drug Situation Report presents an overview of the illicit drug trafficking activity in Canada during that year.

Canada remains a major source country for methamphetamine and MDMA (Ecstasy) as a result of rising demand from a global synthetic drug culture. Seizures of these drugs originating in Canada have increased in the Asia-Pacific region (meth/MDMA), as well as in the United States (MDMA) over the past few years.

Originally detected in the early millennium, this trend has continued as various organized crime groups have taken great advantage of opportunities to diversify their criminal activities, enabling them to swiftly advance from domestic trafficking to global distribution.

Canada also continues to be a producer and supplier of marihuana. However, as the number of marihuana grow operations increase within the United States — currently Canada's largest market — Canadian-produced marihuana may be destined toward other international markets in the future, such as Europe or Asia.

Cocaine, heroin, opium, hashish/hash oil, and khat continue to be imported into Canada from a variety of countries to feed the continuing demand for these drugs.



Highlights

- Organized crime groups are utilizing Canadian international airports to import a wide variety of drugs.
- While the market for cocaine in Canada has remained relatively stable, there was a significant increase in liquid cocaine seizures from 2006 to 2007.
- Demand for khat is concentrated within Central Canada, particularly within larger urban centres where large Eastern-African communities are found. Authorities have noticed an increase in khat seizures in the Prairies.
- The dominance of Southwest Asian heroin has steadily increased since the early millennium, with Southeast Asia being replaced as the primary source region.
- The Asia-Pacific region has emerged as an important consumer of Canadian-produced methamphetamine and MDMA (Ecstasy) while cross-border trafficking of MDMA (Ecstasy) tablets from Canada to the United States continues unabated.
- India and China are predominant suppliers of precursor chemicals acquired by Canadian organized crime groups for the manufacture of methamphetamine and MDMA (Ecstasy), respectively.

Disclaimer

This report used several sources, including Health Canada's Controlled Drugs and Substances Database (CDSDB) which contains information on drug seizures effected by all levels of policing nation-wide. Due to ongoing investigations, in some cases there will be a significant time lag between the actual drug seizure date and the time this information is entered into the Health Canada database. Consequently, the CDSDB figures will differ from those obtained by the RCMP; therefore, the RCMP did not solely rely upon CDSDB data to compile this report.

The seizure data provided in this report is based on information collected from a variety of sources, including RCMP databases, Canada Border Services Agency (CBSA) information and Health Canada's Controlled Drugs and Substances Database (CDSDB). Any significant increases or decreases in quantities seized in 2007 do not necessarily reflect changes in either production or law enforcement efforts.

CANNABIS

The consumer market for cannabis products is still the largest in the world,¹ compared to other types of drugs. Derivatives of cannabis include marihuana (cannabis herb), hashish (cannabis resin), and hashish oil, which are created using various parts of the cannabis plant. In Canada, marihuana is the most common cannabis derivative that is produced and exported.

Marihuana

Key Findings

- In 2007, there was an increased number of marihuana grow operations in rural communities and remote areas in Canada.
- Marihuana trafficking remains highly profitable for organized crime, and most organized crime groups in Canada are involved at some level of the marihuana trade.
- The increasing number of marihuana grow operations in the United States may drive Canadian-produced marihuana toward other international markets, such as Europe and Asia.

Demand²

Marihuana remains widely popular among drug users across Canada. Marihuana produced in Canada primarily supplies the domestic market; marihuana produced outside Canada, in countries such as Jamaica, represents a minimal portion (less than 1%) of the marihuana seized in Canada.

In 2007, while the principal international market for Canadian-produced marihuana remained the United States, only a small percentage of the marihuana seized in

that country originated in Canada.³ The main supplier of marihuana to the United States is Mexico. With the increasing number of marihuana grow operations in the United States, specifically indoor operations, marihuana produced in Canada may increasingly be destined for other international markets, such as Europe and Asia.

Supply and Smuggling Patterns

Canadian law enforcement agencies have reported marihuana cultivation in all provinces, although British Columbia (B.C.), Ontario, and Quebec remain the primary producing regions, as demonstrated by smuggling patterns. In 2007, an estimated 50,000 kilograms⁴ and over 1.8 million marihuana plants were seized in Canada; approximately 90 per cent of the marihuana seized in Canada was seized in these three provinces.

In 2007, law enforcement observed an increasing number of marihuana grow operations in rural communities, where the cost of real estate is relatively low, and in remote areas, which provide greater privacy. The displacement of marihuana grow operations to the Prairies and the Maritimes, as well as along the Canada-U.S. border, is occurring. The supply from indoor and outdoor production in those areas is destined for larger cities in Canada or the U.S. market.

Interprovincial movement of marihuana follows an eastward pattern: from B.C. to the Prairies, the Northwest Territories and the Maritimes; and from Ontario and Quebec to the Maritimes. (See map on page 6.) The drug is conveyed mostly by land in private or commercial vehicles. Concealment of the drug can range from rudimentary modes to extremely elaborate methods such as hidden vehicular compartments.

1 According to the World Drug Report 2008, produced by the United Nations Office on Drugs and Crime, cannabis is consumed by close to 166 million people and continues to be the most prevalent of all illegal drugs used worldwide. The highest usage rates occur in Oceania followed by North America and Africa, however, large increases have also been reported in South America.

2 National data on demand for illicit substances has not been updated since the 2004 Canadian Addiction Survey (CAS). Past-year usage surveys of students in a variety of provinces have indicated that the prevalence of marihuana use varies from 21.3% to 32.4%, depending on the region of Canada. However, the results of student surveys are difficult to extrapolate to the general adult population.

3 The *United States-Canada Border, Drug Threat Assessment 2007* established that 2.6% of the marihuana seized by Customs Border Patrol at the U.S.-Canada border originated in Canada; Mexico remains the main supply source to the United States.

4 The increased quantity of marihuana seized from 13,154 kilograms in 2006 to 49,918 kilograms in 2007 represents a change in data collection methods used by law enforcement and Health Canada. The significant increase in quantity seized in 2007 does not necessarily reflect an increase in production or a change in law enforcement efforts.



Two garbage bags containing marihuana in trunk of private vehicle.

Movement of marihuana southbound remains a concern for law enforcement on both sides of the Canada-U.S. border. In 2007, there was a noted decrease (36%) in the number of marihuana seizures at the border; however, the quantity seized has increased (64%), suggesting larger-size shipments destined for the United States.

The border along the Great Lakes-St. Lawrence Seaway — where the provinces of Ontario, Quebec, and New Brunswick meet the states of Michigan, New York, Vermont, and Maine — was identified as an area of active marihuana smuggling. In Western Canada, marihuana smuggling activity occurred at the B.C.-Washington, Alberta-Montana and Manitoba-North Dakota junctions. (See map on page 6.) The drug is smuggled across the border in private and commercial vehicles, concealed amongst legitimate merchandise. Marihuana continues to be transported to the United States in private aircraft, which later return to Canada with cocaine shipments. In either case, the transportation of large marihuana shipments destined for the United States is orchestrated by organized crime groups.

Trafficking Activity and Groups

Marihuana is one of the most commonly trafficked drugs in Canada. It is trafficked at the multi-kilogram level and continues to be traded with, or in exchange for, other commodities such as cocaine, MDMA (Ecstasy), illegal tobacco and proceeds of crime.

Marihuana trafficking remains highly profitable for organized crime in Canada. In 2007, the majority of

organized crime groups known to law enforcement were involved at some level of the marihuana trade. Though certain criminal groups have specialized in specific aspects of the trade such as cultivation (e.g. Vietnamese-Canadian organized crime groups) or cross-border smuggling (e.g. Indo-Canadian organized crime groups), they continue to collaborate, establishing sophisticated marihuana trafficking networks which move the drug from the production level to street level distribution, and sharing in the proceeds.

In 2007, organized crime groups involved in marihuana cultivation showed increased proficiency and mobility. Prominent marihuana growers, responsible for multiple grow operations, established grows in rural areas in Canada, and in the United States. Marihuana grows are increasingly more sophisticated, rendering them more difficult for law enforcement to detect. The expertise related to marihuana cultivation and smuggling continues to be traded between organized crime groups, which represents a challenge for law enforcement in Canada.

Major Seizures

The following are significant seizures that demonstrate the smuggling patterns and trends noted in this assessment.

Inland seizures

- In August, two residents of B.C. were arrested in Manitoba en route for Ontario, with 181 kilograms of marihuana concealed in boxes on a commercial truck.
- In October, the Ontario Provincial Police (OPP) traffic enforcement unit seized 280 kilograms of marihuana from an Ontario resident driving a private van. The drug was concealed in 46 garbage bags piled at the back of the van.
- In March, the Sûreté du Québec and the RCMP dismantled a drug trafficking ring operating in the small communities of Kamouraska and Temiscouata in the province of Quebec. A total of 6,200 plants was seized from twelve private residences used for hydroponic grow operations.
- In March, Hamilton Police seized 11,000 plants at a large indoor grow operation. The marihuana was being produced in 48 units of three high-rise apartment buildings.

Operation CISAILLE (Sûreté du Québec) is a multi-agency cooperation to eradicate marihuana production and trafficking in the province of Quebec. The project encourages the public to report suspected grow operations in their community. In 2007, CISAILLE efforts led to the seizure of 737,977 plants and 7,540 kilograms of marihuana seized primarily from outdoor grows.

Operation SABOT (RCMP) is a national interagency effort aiming to eradicate marihuana production sites. In 2007, 171,504 plants and 212 kilograms were seized by the RCMP, Canadian Forces and local enforcement as part of SABOT. The seizures were effected mostly in Quebec and the National Capital Region.

The OPP also operate an eradication program for outdoor marihuana grow sites. In 2007, their efforts lead to the seizure of 164,828 plants and 6,700 kilograms of dried marihuana from 365 outdoor grows and 186 indoor grows.



Aerial view of outdoor marihuana grow operation from Project SABOT.

International seizures originating in Canada

- In April, Arkansas Highway Patrol seized 1,043 kilograms of marihuana from an Ontario resident travelling to North Carolina, United States. The drug was concealed in a commercial tractor-trailer.
- In June, U.S. customs officials seized 300 kilograms of marihuana at the Peace Bridge in Fort Erie, Ontario. The drug was concealed in a commercial shipment truck and was destined for Pennsylvania.
- In August, U.S. customs officials seized 192 kilograms of marihuana hidden in the floorboards of a commercial tractor-trailer. The driver, a B.C. resident, was travelling to the United States through Blaine, Washington.
- In August, customs officers in Osaka, Japan, seized 280 kilograms of marihuana concealed in a marine shipment containing pieces of lumber. The multi-drug shipment also contained large quantities of MDMA (Ecstasy) and methamphetamine.

Indoor marihuana cultivation: public safety issues

Marihuana grow operations are established in all types of neighbourhoods: from high-rise apartments in large cities, to houses in small rural towns. The exposure of adults, and especially children, to illicit drug production or related drug activity poses an immediate risk of harm. The poor ventilation in some indoor marihuana cultivation operations can lead to potentially deadly build-ups of gases. Approximately one in every 10

electrical modifications required to obtain the necessary amount of light and energy to grow the plants, results in fire. In addition to causing respiratory problems, mold, pollen concentrations and chemicals associated with grow operations can damage the property, which becomes a liability for future owners and costs thousands of dollars to repair.

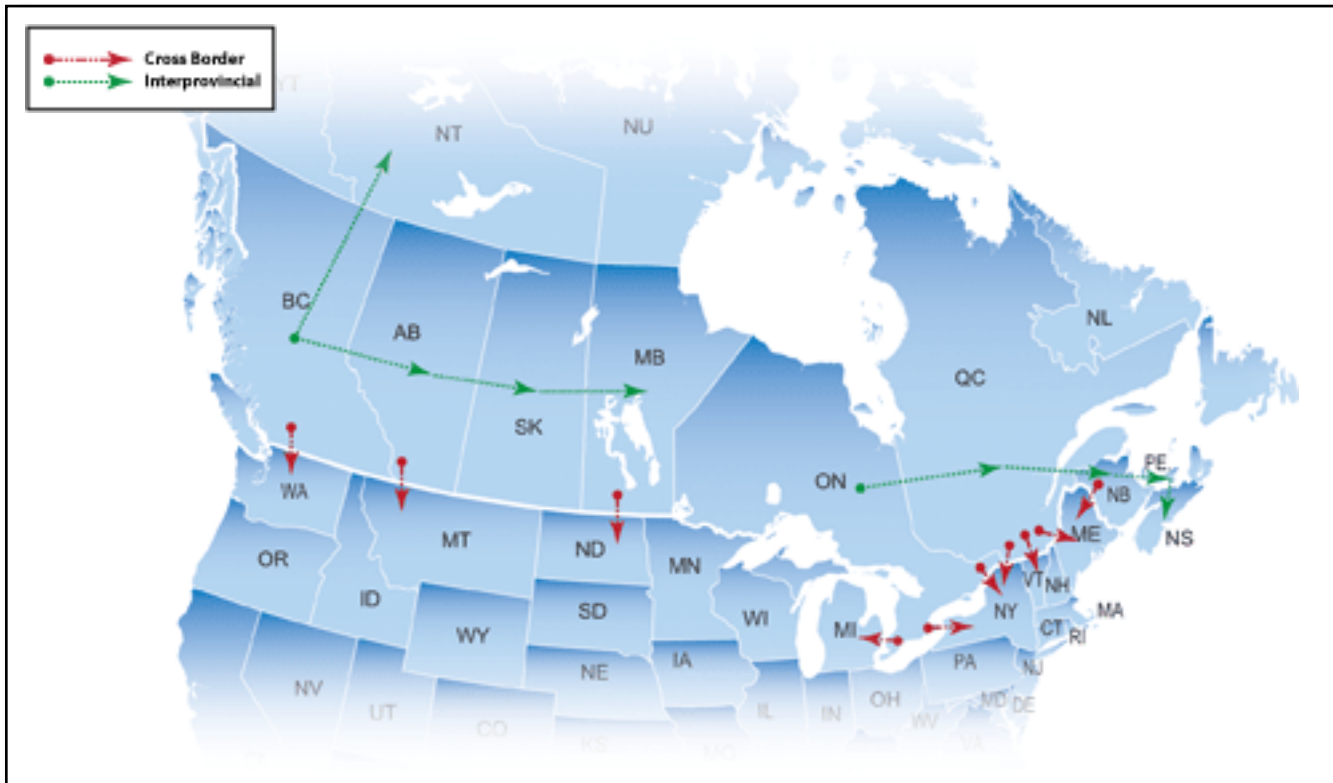
Indoor marihuana grow operations can be hard to detect and remain a concern to law enforcement across the country. A combination of the following indicators could point to an indoor marihuana grow operation:

- Windows are sometimes covered over with black plastic, heavy curtains pressed against the windows or blinds that are tightly shut and pressed against the windows.
- There is high humidity inside a marihuana grow house which could result in condensation on windows.
- Growers are sometimes careless and leave equipment laying around the yard. Look for discarded equipment such as nutrient containers, pots, and wiring.
- Some of the electrical components in an indoor operation create humming sounds which can sometimes be heard from the neighbour's property. This is similar to a transformer on a hydro pole. Fans can sometimes also be heard.

- High intensity discharge, 1000 watt lamps are normally used for indoor grows and are sometimes not completely disguised. Bright lights can be detected coming from an indoor grow.
- The smell of growing marihuana can best be described as the unique smell of rotting cabbage or skunk-like odour mixed with a sweet vegetative smell.

- “Beware of dog” signs or guard dogs are used to deter trespassers to protect against theft or detection.

The public should never approach the occupants of a residence they suspect of containing a marihuana grow operation but should contact the police with their information.



Marihuana trafficking patterns

Hashish and Hash Oil

Key Findings

- In 2007, the majority of hashish was imported by air, concealed with legitimate cargo on commercial flights, and by courier packages.
- Organized crime groups used international airports such as the Montreal International (Trudeau) Airport and Toronto Pearson International Airport to import hashish.

Demand

Demand for hashish and hash oil in Canada is concentrated in the provinces of Ontario and Quebec; most of the seizures at Canadian ports of entry are destined for consumers in the Toronto and Montreal areas.

Supply and Smuggling Patterns

The primary countries producing cannabis resin are Morocco, Afghanistan, Pakistan, Nepal, and India. Within the western hemisphere, Jamaica remains the main producing country for cannabis resin. Although most of the Jamaican supply is directly imported into Canada, shipments can transit through the United States before entering Canada. Most of the hashish and hash oil seized in Canada in 2007 originated in Jamaica and India.

In 2007, hashish and hash oil shipments were smuggled into Canada by all types of transportation: private vehicle, commercial aircraft, marine vessel, and courier. Hashish

was generally imported by air, concealed with legitimate cargo on commercial flights, and by courier packages. Hash oil was imported mainly by the marine mode. A single seizure in July, at the Port of Halifax, accounted for the majority of the hash oil seized throughout the year; the marine shipment contained 93 kilograms of hash oil.



Hash oil and marihuana seizure in Project OCOOK.

There was a significant decrease in the quantity of hashish and hash oil seized in 2007 as compared to 2006: 227 kilograms of hashish and 115 kilograms of hash oil in 2007; 27.73 metric tonnes (mt) of hashish and 1,060 kilograms of hash oil in 2006. This is explained in part by a single, significant off shore seizure of 22.5 mt of hashish destined for Canada, and the 504 kilograms of hash oil seized at the Port of Halifax in 2006.

Trafficking Activity and Groups

Organized crime groups in Canada remained involved in hashish and hash oil importations. Individuals based in

Quebec and Ontario used their international connections to facilitate the transportation of large hashish shipments through Montreal (Trudeau) International Airport and Toronto Pearson International Airport. Organized crime groups established in Nova Scotia were involved in trafficking hashish and hash oil. The drugs were then sold to organized crime groups based in other provinces such as Quebec and Ontario.

In 2007, a cannabis importation was linked to a drug trafficking ring in Toronto. In July, Canada Border Services Agency (CBSA) seized 90 kilograms of marihuana and 93 kilograms of hash oil at the Port of Halifax. The drugs were concealed in a sea container originating in Jamaica and were destined for the Toronto area. The seizure was related to RCMP Project OCOOK, which was concluded in July with the arrest of twelve individuals, four of whom were employed at Toronto Pearson International Airport.

Major Seizures⁵

- In February, CBSA officers at Toronto Pearson International Airport seized 1.2 kilograms of hash oil from a courier package. The package originated in Montego Bay, Jamaica and was intended for a recipient in Toronto.
- In July, 28 kilograms of hashish were seized by CBSA officers at Toronto Pearson International Airport concealed in a box originating in Montego Bay, Jamaica. The shipment was declared as breadfruit and avocado and the box was located on the aircraft, in the passenger luggage area.
- In November, CBSA officers at Toronto Pearson International Airport seized 36 kilograms of hashish from a courier package. The drugs originated in Iran and were concealed in false bottoms of six wooden crates. The shipment was destined for a non-existent business in Brampton, Ontario.

Seizures en route to Canada

- In September, 108 kilograms of hashish and 53 kilograms of opium was seized in France en route for Canada. The drugs, which were concealed in the false bottoms of shipping crates declared as dishware, originated in Tehran, Iran and were destined for the Greater Toronto Area.

⁵ Hashish and hashish oil seizures reported in CBSA monthly drug reports and in RCMP files.

COCAINE

Key findings

- Mexico played an increased role as a transit country for cocaine destined for Canada in 2007.
- There was a significant increase in liquid cocaine seizures for 2007.

Demand⁶

Cocaine hydrochloride (HCL) is a white crystalline powder derived from the coca bush leaves which are cultivated in the Andes Mountains in South America. Cocaine HCL is a stimulant drug often diluted with other substances such as cornstarch, talcum powder or benzocaine (a local anaesthetic).

The market for cocaine in Canada has remained relatively stable in 2007. The United Nations Office on Drugs and Crime (UNODC) estimated that 0.4 per cent of the global population between 15 and 64 years old consumed cocaine in 2006-2007. North America (45%) continued to represent the largest proportion of cocaine users followed by West and Central Europe (24%), and the combined regions of Central America, South America and the Caribbean (19%).

Supply and Smuggling Patterns

In 2007, the UNODC World Drug Report reported 181,600 hectares in coca cultivation, up 16 per cent from the previous year's 156,900 hectares, in the source countries of Bolivia, Colombia, and Peru. This was largely due to the noted expansion in the area under cultivation in Colombia (27%) and slighter increases in Bolivia (5%) and Peru (4%).

Despite the increase in coca cultivation, cocaine production was reported to increase only slightly from 984 metric tonnes (mt) in 2006 to 994 mt in 2007. Analysis indicates that the global potential for cocaine production was limited due to low yields from the coca crops. Of the total global production of cocaine (994 mt),

Colombia accounted for 60 per cent (600 mt), followed by Peru with 29 per cent (290 mt) and Bolivia with 10.5 per cent (104 mt).

Colombia remains the primary source country for powder cocaine destined for the Canadian market; however, in 2007 cocaine originating from Peru increased significantly in comparison to previous years.

According to Health Canada, 2,630 kilograms of cocaine and 23,946 kilograms of crack were seized by various law enforcement agencies across Canada in 2007. These numbers reflect intercepts at the Canadian ports of entry as well as in-land seizures.



Cocaine markings.

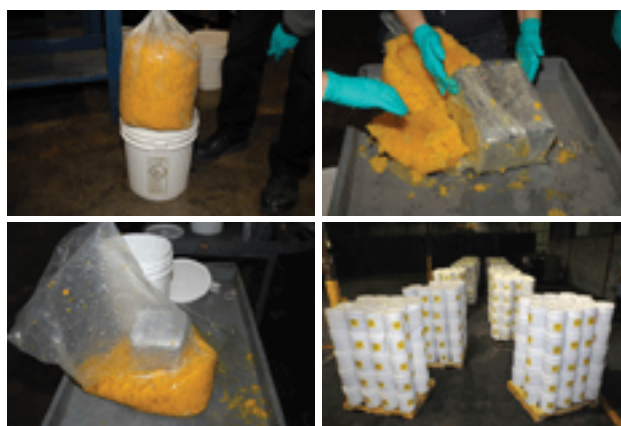
The largest proportion of cocaine smuggled into Canada continues to be concentrated at major ports of entry located in British Columbia (B.C.), Ontario, and Quebec. Prior to 2006, the largest quantities of cocaine seized arrived via the air mode, while for the last two years the land mode was ranked as the primary smuggling method. Despite this noted change, direct international flights from the Caribbean (Dominican Republic, Trinidad and Tobago), Mexico, and South America (Peru and Guyana) to Canadian international airports located in Toronto, Montreal, and Vancouver continue to present ample opportunities for drug smuggling.

⁶ At the time of publication, the Canadian Addiction Survey (2004) was the most recent study on the prevalence of drug use among the adult population in Canada. According to the CAS Youth Report (2007), amongst Canadian youth aged 15 to 24, past-year prevalence of cocaine use was 5.5%, with a higher proportion of Canadian males (7.2%) compared to females (3.6%) reporting use. However, the results of student surveys are difficult to extrapolate to the general adult population. (Canadian Addiction Survey: Substance Use by Canadian Youth, 2007, p.61)

An increasing trend noted at Canadian international airports was the smuggling of cocaine in liquid form. Canada Border Services Agency (CBSA) reported seizing a total of 83.52 kilograms of liquid cocaine in 2007, of which the majority originated in Peru, whereas in 2006 only 13.81 kilograms were seized in Canada. By transforming cocaine from powder form into liquid, drug traffickers are attempting to further avoid detection by port authorities. The liquid cocaine was concealed by air passengers within their luggage within bottles of alcohol or in hygiene and health products. The most frequent interdiction point was Toronto Pearson International Airport.

Although Colombia's position as the foremost source country for cocaine destined for the Canadian market does not fluctuate considerably, transit countries often shift in importance. Correspondingly, Mexico's role as a transit country for cocaine destined for Canada has increased not only by way of the Mexico-U.S.-Canada highway corridor but also by direct shipments via air and marine modes. For instance, two separate large cocaine seizures (50 kg and 48 kg) were intercepted at the Vancouver International Airport from direct commercial flights originating in Mexico. In both cases, as the cocaine was concealed in baggage that was not associated to any passengers on the commercial flight, it must have been placed on the aircraft in a manner which bypassed all normal security screening procedures. This indicates that an airport employee with the required security clearance was responsible for placing the baggage on the airplane in Mexico.

The marine smuggling case involved a container shipment which originated in Mexico and transited the Bahamas before arriving at the Port of Montreal in June. A total of 160 kilograms of cocaine were seized concealed in a shipment of pureed frozen mango. Five Mexican nationals were charged with importation and possession of drugs for the purpose of trafficking. The investigation revealed that the drug importers were operating under a front company named Quality Mexport, a food distribution company.



160 kg of cocaine concealed in a commercial shipment of pureed frozen mango.

In spite of the increased smuggling activity originating in Mexico in 2007, the United States remained the primary transit country for cocaine destined for Canada. According to CBSA, approximately 1.4 tonnes of cocaine were intercepted in the United States en route to Canada over the two-year period from January 2006 to December 2007. While this confirms the prominence of cross-border land smuggling for cocaine destined for the Canadian market, the use of air mode through private aircraft and helicopters between ports of entry continued to be observed.

During the first half of 2007 (January to June), the United States reported cocaine supply shortages in several of its large and mid-size drug markets. Despite the reported decrease in the availability of cocaine in the United States, Canada's cocaine markets were not visibly impacted. This could be explained, in part, by the considerable differences in population size between Canada and the United States, and the corresponding size of the cocaine user population in each country.

The trend of cross-border smuggling of polydrug shipments of Canadian-grown marijuana and/or MDMA (Ecstasy) into the United States in exchange for cocaine, firearms and proceeds of crime continued in 2007. It was noted that some Canadian organized crime groups reportedly preferred to receive cocaine as a form of payment in lieu of U.S. currency.

The common practice of multi-commodity cross-border smuggling was further demonstrated by the successful conclusion of a joint Canadian-U.S. interagency investigation in the Pacific Highway region. This investigation resulted in the arrest of a corrupt CBSA officer who knowingly allowed vehicles into Canada that contained 208 kilograms of cocaine, firearms and ammunition. Approximately \$200,000 in suspected proceeds of crime were also seized as a result of a search warrant executed on the residence of one of the suspects, following these arrests.

Trafficking Activity and Groups

Canadian criminal organizations with a cross-border nexus are generally established in large cities close to the Canada-U.S. border such as Vancouver, Toronto, Windsor, and Montreal. This proximity to major ports of entry and large U.S. urban centres facilitates the brokering of drug transactions between American and Canadian organized crime groups.

Several of these criminal organizations also have worldwide networks utilized to facilitate drug trafficking, particularly cocaine importation into Canada. Throughout 2007, various investigations identified the involvement of individuals with origins in Latin America, traditional crime groups, and outlaw motorcycle gangs. Reportedly, independent criminal groups, Indo-Canadian criminal organizations, as well as criminal groups with ties to Asia also remained implicated in cocaine smuggling activities.

The international connections of Canadian-based criminal organizations and their role in foreign drug smuggling were further illustrated by several international investigations in 2007. For example, cocaine shipments either destined for, or intercepted in, Australia were effected from both air passengers and courier shipments (concealed in car parts and within alleged bath products), which originated in Canada.

Domestically, the lucrative nature of the drug trade often incites violence between criminal organizations when established zones of control are challenged by others. However, shifting dynamics within the illicit

drug market in some regions are being observed: whereas once criminal organizations operated independently from one another, currently some organized crime groups are increasingly collaborating in response to demand and transportation needs and requirements.

The increasing cooperation among Canadian criminal organizations and their associates, as well as the extent of their established international networks, was demonstrated by an investigation that expanded into several countries, including the United States, Australia, New Zealand, China, and India. Concluded in 2007, this multi-agency investigation into an international and domestic polydrug trafficking network operating from B.C. and Ontario resulted in seizures equating to approximately 393 kilograms of cocaine made at Canadian borders within the span of one year.

Once smuggled into the country, cocaine is trafficked from the Pacific region to other western provinces, while the central provinces of Quebec and Ontario have been identified as supplying the user population in the Maritimes. Although various transportation methods such as the use of domestic flights, courier companies and passenger coaches (buses) have been well documented in the delivery of cocaine to various locations within Canada, there has been a noted increase in the use of passenger vehicles and commercial transportation trucks with false compartments along major highways.

Major seizures

Marine seizures destined for Canada

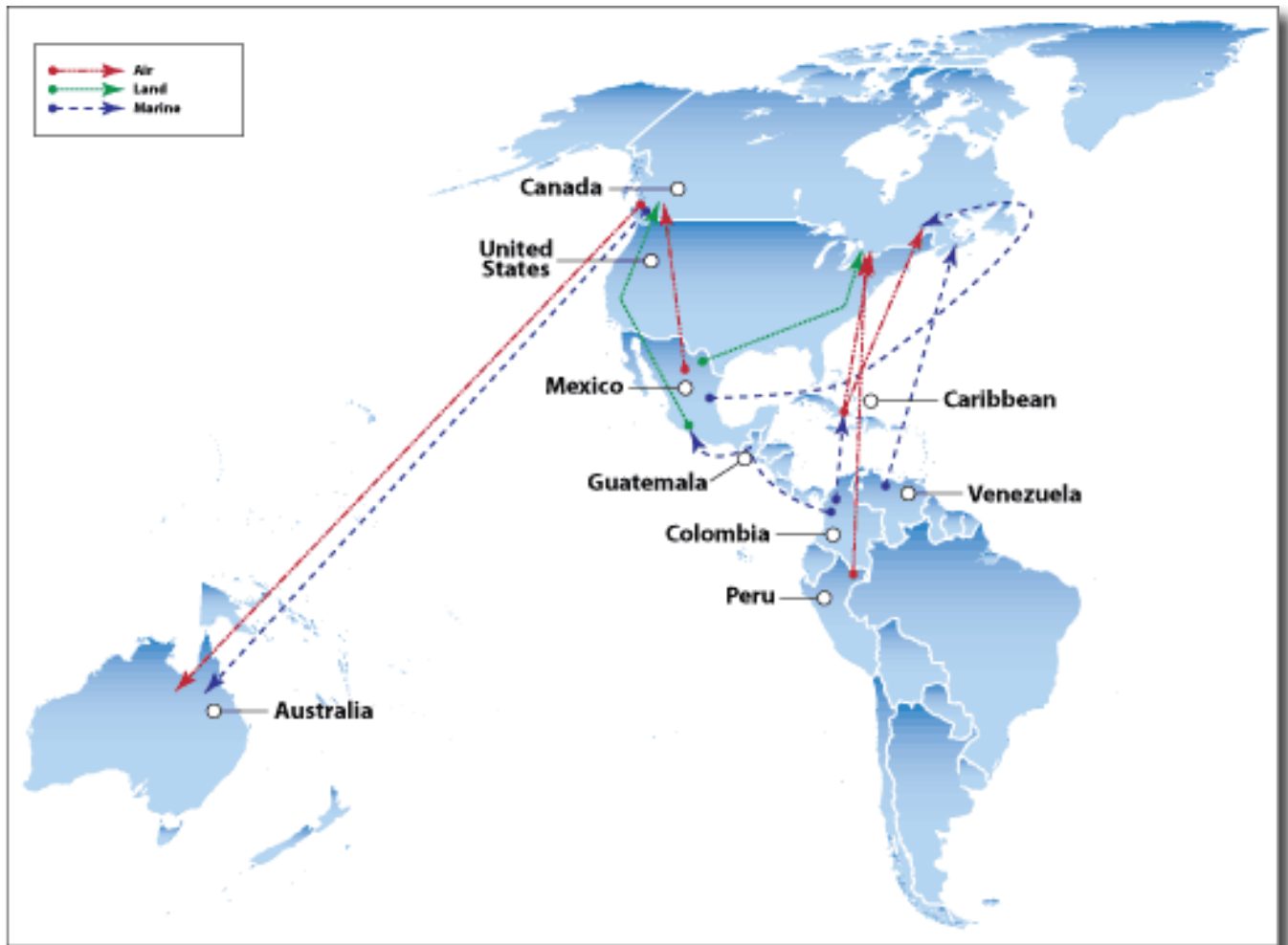
- In June, 226 kilograms of cocaine were seized from a sailboat in the Bahamas and one Canadian was arrested. The vessel left from the Dominican Republic and was destined for Canada.
- In August, 88.23 kilograms of cocaine were seized in Venezuela from a marine container. The cocaine was concealed in 12 boxes of floor tiles. The marine vessel's final destination was the Port of Halifax in Nova Scotia, whereas the tile shipment was destined for Quebec.

Seizures intercepted either at Canadian ports of entry (POE) or in-land

- In February, Halton Regional Police Service discovered 205 kilograms of cocaine concealed inside a commercial shipment of carrots and carrot juice in a tractor-trailer in Milton, Ontario. It is suspected that the cocaine shipment originated in the United States and entered Canada via the Windsor Ambassador Bridge POE.
- In February, approximately 147 kilograms of cocaine were intercepted at the Windsor Ambassador Bridge by CBSA officers. The cocaine was concealed within a shipment of mixed produce from California in a tractor-trailer.

Cocaine seizures transiting the U.S. en route to Canada

- In August, 119 kilograms of cocaine were seized in Illinois from a rented passenger vehicle that originated in Los Angeles, California, and was destined for Montreal.
- In September, 166 kilograms of cocaine were seized in San Diego, California, resulting in the arrest of a Canadian. The cocaine shipment originated in Mexico, transited the United States and was destined for the province of Quebec.



Cocaine trafficking patterns

KHAT (CATHA EDULIS)

Key Findings

- In 2007, over 75 per cent of the khat seized in Canada was concealed in courier packages or in cargo on international flights.
- Authorities have noticed an increase in khat seizures in Alberta and Manitoba, areas where previously this phenomenon was rarely detected.
- Organized crime groups in Canada are behind the khat trade and arrange multiple importations yearly.

Demand

Khat seizures have been reported in many countries around the world including the United Kingdom, Italy, Holland, Canada, Australia, New Zealand, and the United States. Khat consumers from within Somali, Yemeni, Ethiopian, and Kenyan communities consider chewing, smoking or infusing the drug to be a tradition; it has been compared to the use of coca in South America. Khat is consumed as part of a daily ritual or during special events.

The effects of the drug, which is generally consumed in low doses, can last for three to four hours and include: euphoria and elation; increased energy and alertness; loss of appetite and insomnia; increased heart rate, blood pressure, respiration and body temperature; decreased sexual drive; and, in some cases, increased aggression.

Demand for khat in Canada is concentrated within Quebec and Ontario, particularly in larger urban centres such as the Greater Toronto Area, where large Eastern-African communities are found. Although 92 per cent of the khat seizures in 2007 were destined for cities in Ontario, some shipments were also intended for cities in Quebec, Alberta, and Manitoba. Authorities have noticed an increase in khat seizures in Alberta and Manitoba, areas where previously this phenomenon was rarely detected.

Supply and Smuggling Patterns

Khat is cultivated in Eastern Africa and the Arabian Peninsula. In 2007, source countries for khat imported into Canada were Ethiopia, Kenya, Uganda, and Somalia. The plant was transported to Canada onboard international commercial flights carrying cargo and

passengers. In some instances, it was imported to the United States and subsequently smuggled by land, across the Canada-U.S. border.

International flights most often do not originate from source countries for khat, but rather from various countries in Europe which are transit points for shipments bound for Canada. The United Kingdom remained the primary transit country in 2007, while Germany, the Netherlands and the United States continued to be lesser sources of supply. In 2007, various other countries were also transits for khat including Belgium, France, Spain, and Poland.

Approximately 28 tonnes of khat were seized in Canada in 2007. According to 2007 seizure statistics, more than 75 per cent of the khat shipments which were seized at Canadian ports of entry arrived in Canada by courier package or were concealed in air cargo. In comparison to the passenger mode, courier and air cargo provide increased anonymity for shipping khat, thereby allowing importers to avoid legal repercussions in Canada.

A variety of smuggling methods including “shotgunning” and using false shipment addresses are utilized to send khat to Canada. “Shotgunning” involves an exporter located overseas sending multiple courier packages containing small quantities of khat to different addresses in Canada. By doing so, the exporter reduces the risk of having the entire shipment seized at once. The same method is used in the passenger mode: multiple air passengers carry the drug in their luggage on behalf of the same exporter or importer.

Although there was a noted decrease in the seizures effected on air passengers in 2007, investigative information showed that mules were still recruited to transport khat to Canada. Upon arrival in Canada, the courier was met at the airport and offered monetary compensation, and occasionally free hotel accommodations, in exchange for the khat shipment. Such individuals respond to internet advertisements soliciting couriers to transport goods to Canada; however, these ads typically fail to mention that khat is an illegal substance in Canada. For this reason, a khat awareness program was established at London’s Heathrow airport, warning passengers of the consequences of smuggling khat to Canada.

Trafficking Activity and Groups

Organized crime groups with ties to East African and Middle Eastern communities, both within Canada and abroad, are responsible for the khat trade. Networks of exporters, importers, couriers and distributors arrange multiple importations of khat to Canada yearly.

April 2007 saw the conclusion of a year-long joint investigation, involving RCMP, Canada Border Services Agency (CBSA), and the Ottawa Police Service. The investigation dismantled a criminal organization which had been using Ottawa International Airport to import khat from London, England. On five separate occasions, the group imported a total of 2,200 bundles by switching the tags on incoming suitcases and moving the luggage from the international to the domestic conveyor belts at the airport, thereby avoiding customs officials. Three airport employees were involved in the conspiracy, using their privileged positions as ground service crew to facilitate the smuggling of the drug.

Major Seizures⁷

- In April, 243 kilograms of khat were seized by CBSA officers at Toronto Pearson International Airport. The drug, concealed in three large boxes, arrived from Manchester, England, and was addressed to a business in Markham, Ontario. The shipment was declared as car mats.
- In June, 242 kilograms of khat were seized at Toronto Pearson International Airport by CBSA officers. The shipment was sent in seven boxes from London, England. The shipment was destined for a freight forwarding company in Mississauga, which would then deliver it to another freight forwarding company with a wrong address. Two boxes were missing from the shipment.
- In November, a shipment of eight boxes, containing 260 kilograms of khat, was seized at Toronto Pearson International Airport by CBSA officers. The packages, declared as technical manuals, originated in London, England, and were destined for a business in Montreal. Information on the sender and receiver was partial and incorrect.

Seizures en route to Canada

- In April, Belgian authorities seized 210 kilograms of khat from two passengers travelling from London, through Brussels, to Toronto, Ontario. Although the two individuals, both UK nationals, were travelling separately, they each possessed four identical pieces of luggage containing the khat.

⁷ Khat seizures reported in CBSA monthly drug reports and in RCMP files.

MDMA (ECSTASY)

Key Findings

- Canada remained a prominent MDMA (Ecstasy) producer and exporter to the world market in 2007.
- MDMA (Ecstasy) smuggling from Canada to the Asia-Pacific region increased in 2007, and predominantly involved the use of both marine and air cargo.
- Canadian-based transnational organized crime groups continued to dominate the trade at the national level and have an increasing presence on the international scene.

Demand

MDMA, or 3,4methylenedioxymethamphetamine, is a synthetic hallucinogen with amphetamine-like properties. It is most commonly known by the street name “Ecstasy” and is sold in both powder and tablet forms. The tablet form is sold in different colours and typically bears a logo which has popularized the substance as a recreational party drug.

Demand for MDMA (Ecstasy) across the country is stable and continues to be driven by expanding domestic manufacture that has resulted in a widely available supply. The reversed demand and supply pattern that has been observed since 2005 remains as Canadian-based transnational organized crime groups continue to dominate the trade at both the national and international levels. Decreased prices over the last two years, with an average range of \$10 to \$25 per tablet compared to previous averages of \$30 to \$45, also reflect increased production and supply. MDMA (Ecstasy) availability is highest in core regions of British Columbia (B.C.), Ontario, and Quebec, where clandestine laboratory sites are located. National distribution appears to have increased, as evidenced by a greater number of significant cross-country seizures of MDMA in 2007.

While MDMA was popular in the 1990s, when the rave movement was first introduced to North America, it has become a mainstream drug and will remain available and in demand for the foreseeable future.

Notwithstanding a stable domestic consumer population, the expansion of MDMA manufacture in Canada is such that production exceeds national demand or the target population market. In actuality, the rising production rate is further fueled and supported by a growing global consumer base, notably located in the United States and in the Asia-Pacific region.

Supply and Smuggling Patterns

Canada’s status as a prominent MDMA producer and exporter remained undisputed in 2007. Canadian-based crime networks ensured plentiful supplies for the worldwide consumer base with continued peak levels of production. All MDMA labs now discovered in Canada are economic-based operations run by organized crime groups. Many of these labs, particularly those located in Ontario and B.C., are capable of industrial-scale manufacture of mass quantities for the international market. These labs are often multi-site enterprises, equipped with synthesis and tableting operations and storage facilities.

In 2007, the highest concentration of MDMA labs continued to be found in the B.C. region, followed by Ontario and Quebec. In May 2007, an operational MDMA lab was discovered in Port Moody, B.C. at an automotive business location. The lab was disguised as a bio-diesel manufacturing site.⁸ The Port Moody lab site entailed a highly sophisticated set up, outfitted with close circuit television. The operators of this lab, believed to be linked to Eastern European organized crime, were producing MDMA “glitter” tablets.⁹ In July, a polydrug

8 It is notable that two other lab sites, one at a commercial warehouse in June and another on a federal Native reserve in July, were also MDMA labs disguised as bio-diesel plants.

9 Synthetic drug traffickers continuously change and develop tactics to enhance their marketing strategies for retail product distribution. In 2007, glitter glue was used to enhance the appearance of MDMA tablets.

lab operation, manufacturing methamphetamine and MDMA, was discovered in Delson, Quebec, at a commercial storage space located on a business site. A fire and explosion had occurred, badly injuring the lab chemist. In October, a search of a Toronto residence led to the seizure of a MDMA economic-based lab, including four commercial grade pill presses and approximately 173 kilograms of MDMA powder, enough to produce an estimated 1.7 million tablets.

While such lab take-downs are valid indicators of sustained, high-level production, intelligence trends and foreign seizures of Canadian-sourced MDMA in 2007 re-confirmed an entrenched MDMA trade in Canada. Consistent with trends observed since 2005, the bulk of worldwide seizures of MDMA produced in Canadian laboratories were effected by U.S. authorities at or near Canada-U.S. land border ports of entry (POE). In 2007, the bulk of cross-border MDMA shipments were transported from Canada to the United States via land mode, predominantly by private vehicle (75%). The use of commercial vehicles (15%) decreased from previous years and, to a lesser extent, private aircraft, the postal system and marine vessels were utilized in attempted exportations.¹⁰ According to U.S. law enforcement agencies, MDMA smugglers employing private vehicles most commonly conceal shipments on their person or in spare tire compartments while persons using commercial vehicles to move shipments often conceal the MDMA amidst their cargo, or in the ceiling, doors, walls or false compartments of the vehicle. MDMA shipments commingled with other drug commodities, predominantly marihuana, were again evident in 2007.

Canadian and U.S. law enforcement reporting indicate that land border POEs in the states of New York (Buffalo), Michigan (Detroit), and Washington (Blaine) experience the greatest amount of MDMA smuggling activity and the highest numbers of MDMA seizures are reported at these POEs. Located in close proximity to the major centres for MDMA production — Vancouver and the Greater Toronto Area — these POEs also provide opportunities for smugglers to avoid detection because of the reduced time in transit from the point of pick-up to the border, as well as the volume of traffic at these crossings.



Ecstasy tablets.

¹⁰ Figures obtained from U.S. law enforcement information.

MDMA smuggling from Canada to the Asia-Pacific region continued and involved the use of marine and air cargo in 2007. The 2006 trend of exporting polydrug shipments to this world region was again observed in the past year. In July 2007, authorities in Osaka, Japan, discovered and seized a polydrug shipment containing 155 kilograms of methamphetamine, 280 kilograms of cannabis (marihuana) and 688,000 MDMA tablets. The drugs were concealed in a marine cargo shipment of wood flooring originating in Vancouver.

In 2007, traffickers continued to use the term “Ecstasy” to market logo tablets even though it is estimated that more than half of the tablets sold as “Ecstasy” contain multi-components, often void of any MDMA. Law enforcement reporting indicates increased use of methamphetamine as a central ingredient in many of these tablets. Further, intelligence and laboratory analyses indicate an emerging trend of newer, unregulated designer drugs that are being used alone or in combination tablets sold as MDMA.¹¹

Trafficking Activity and Groups

Organized crime groups based in Canada continued to sustain a steady pace in the production, exportation and precursor importation sectors of the MDMA trade. MDMA seizures at Canadian POEs remained minimal, compared to previous years when multi-thousand dosage units and multi-hundred kilogram quantities were imported from Western Europe. Following a trend over the last three years, the amount of MDMA seized domestically in 2007 overshadowed the amount seized at Canadian POEs. Canada Border Services Agency (CBSA) reporting indicates that a total of approximately 6,000 dosage units of MDMA were seized at Canadian POEs, including one case involving almost 5,000 tablets. While two cases involved a northbound seizure at the Canada-U.S. border, it is suspected that the drug actually originated in Canada as in the other cases.

With the advent of Canada’s role as a MDMA source country in recent years, domestic trafficking seizures have typically involved relatively modest shipments of MDMA. In 2007, numerous seizures of amounts greater

than 100,000 dosage units occurred in Canada, notably in Ontario and B.C. In March, 720,000 tablets of MDMA along with 49 kilograms of cocaine were seized as the shipments were being transferred from one vehicle to another in a public parking lot in Vaughan, Ontario. Both drug shipments were flown in from B.C. to Ontario via private aircraft and then were transferred to a land vehicle. In September, an estimated 150,000 MDMA tablets were seized from a private vehicle that was stopped at a roadblock as part of a RCMP traffic enforcement effort in Midway, B.C. A RCMP detection dog assisted in locating the drug shipment which was contained inside two suitcases. As well, at various dismantled lab sites in both Ontario and B.C., significant amounts of finished MDMA in both tablet and powder forms were seized. (See Supply and Smuggling Patterns.)

While cross-border MDMA trafficking from Canada to the United States still accounted for the highest rate of trafficking activity/seizures involving MDMA originating in Canada, the situation appears to have stabilized relative to the significant differences observed in previous years. The number of Asia-Pacific bound shipments of MDMA from Canada increased slightly from 2006 although the overall amount seized declined in 2007. A single seizure effected in Japan (688,000 tablets), however, indicates continued and strong Canadian organized crime interests in moving MDMA shipments across the globe.

Criminal organizations with ancestral links to China continued to dominate in production, precursor and essential chemical importation and drug exportation. These groups have longstanding ties to the national drug trade and strong and extensive international connections. As such, these organized crime groups have swiftly advanced from domestic trafficking to global distribution. Organized crime groups of Vietnamese descent and Indo-Canadian crime groups¹² were frequently implicated in the cross-border transport of MDMA via land conveyance. In 2007, crime groups with roots in Eastern Europe re-emerged in MDMA production, notably in the B.C. region. To a lesser extent, outlaw motorcycle gangs (OMGs) and independent crime groups across Canada continued to take opportunities to participate in all aspects of the MDMA trade. Law enforcement

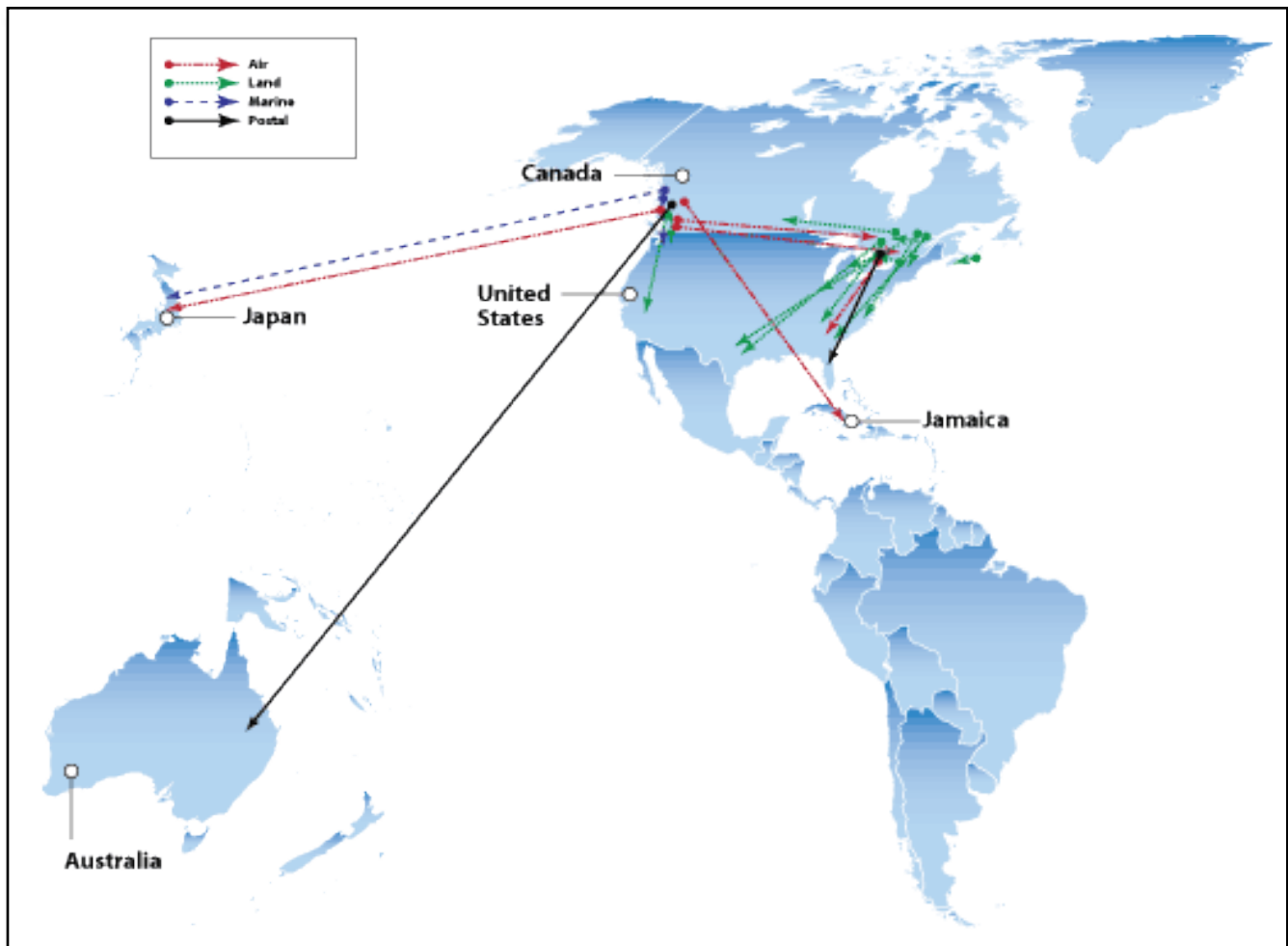
11 Combination tablets marketed as MDMA allow traffickers to extend their supply output and, therefore, expand their profit margins.

12 In 2007, Indo-Canadian crime groups continued to be involved in smuggling precursor chemicals for the manufacture of methamphetamine, namely ephedrine, from India into Canada.

reporting indicates the continued involvement of crime networks of Dominican and Latin American origins in MDMA trafficking within and from the Quebec region.

Major Seizures

- In January, 240,000 pink, orange, and green MDMA tablets with a “frog” logo were seized from a private vehicle in New York State en route from Ontario.
- In March, 720,000 MDMA tablets and 49 kilograms of cocaine were seized from a private vehicle in Vaughan, Ontario. The shipments were transported by private aircraft from B.C. to Ontario.
- In March, a clandestine laboratory operation located in Toronto was seized, including four tablet presses, 26 tablet dyes, and approximately 214 kilograms of MDMA.
- In July, 688,000 tablets of MDMA, 155 kilograms of methamphetamine and 280 kilograms of cannabis were seized in Osaka, Japan, from a marine consignment of wood flooring originating in Vancouver.
- In October, 400,591 tablets of MDMA were seized from a pick-up truck in Laurier, Washington State. The truck was met by three individuals who delivered five duffle bags filled with the tablets by foot via a draw (gully or ravine into which water drains) that led directly into Canada from the United States.
- In November, 328,000 MDMA tablets and 42 kilograms of marijuana were seized from backpacks and duffle bags located in the woods near Neah Bay, Washington State. The shipment was transported by a small inflatable boat which was off-loaded from a larger marine vessel.



MDMA (Ecstasy) trafficking patterns

METHAMPHETAMINE

Key Findings

- Asia-Pacific grew as a consumer region for powder methamphetamine (meth) manufactured and transported directly from Canada as evidenced by a string of significant meth seizures.
- Air and marine cargo were the predominant modes of transportation utilized to smuggle shipments of meth overseas.
- Organized crime groups with links to both China and India continued to demonstrate their prominence in the meth trade.

Demand

Methamphetamine is a powerful, addictive central nervous system stimulant. It may be injected, smoked, snorted, or swallowed. “Crystal meth” is also methamphetamine, and is simply a different form (rock-like crystals) which is typically smoked. This form of methamphetamine is usually high in purity.



Methamphetamine in powder form.

Demand for methamphetamine in Canada is not broad-based but rather originates from those segments of the community where the drug is associated with certain lifestyles. In core production regions, like British Columbia (B.C.), Ontario, and Quebec, meth availability is high and prices are relatively stable. By comparison, in secondary distribution centres where the drug is less readily available, prices are higher. The average price range across Canada is estimated at between \$80 and \$150 per gram, but a gram of meth can go for as low as \$50 in high density production areas such as Vancouver and mainland B.C.

While powder and crystal methamphetamine is readily available, consumption of the drug in tablet form is on the rise. Both voluntary and inadvertent use of tablets containing methamphetamine occurs. In a continuing trend, consumers in the province of Quebec prefer methamphetamine in tablet form. Clan lab operators in that region have and continue to deliberately produce these pills for the local meth trade; however, these tablets are often marketed as MDMA in other regions of Canada as well as in U.S. markets. As MDMA tablets produced in Canada often contain other psychoactive substances including methamphetamine, consumers are generally unaware of the actual ingredients of tablets purported to be MDMA.

Supply and Smuggling Patterns

With the exception of a few incidental seizures linked to foreign manufacture, methamphetamine availability in Canada continues to be highly contingent upon domestic supply sources. Patterns in 2007 showed Canadian meth labs to have advanced levels of production capacity and capabilities to provide a flourishing supply beyond the demands of domestic trade. In fact, consistent with trends observed for the MDMA situation in Canada, the user base for methamphetamine across the country does not support the quantities of methamphetamine being produced within Canada. The Asia-Pacific region continued to grow as a consumer region for powder methamphetamine manufactured and transported directly from Canada. The cross-border flow of methamphetamine either produced in Canada or in the United States remained limited in 2007. This pattern is expected to remain stable as long as Mexican traffickers maintain a stronghold on the U.S. supply chain.

The meth lab seizure rate slightly decreased from 2006, however the number of economic-based meth labs continued to increase. As observed for trends in domestic MDMA production, the number of meth lab-related dumpsites and chemical/equipment seizures continued to rise in 2007. Given this trend, the overall incidence of meth production has increased. While addiction-based meth labs continue to be found in Canada, economic-based labs are becoming more commonplace. Law enforcement reporting in the Ontario region indicates

that an important shift has occurred, whereby addiction-based labs are now rarely encountered. In previous years, addiction-based labs were widespread in Southern Ontario, utilizing the Birch Reduction method and causing extensive environmental and community-based addiction problems. Over the last two years, meth lab seizures in this region have typically involved organized crime-operated sites producing multi-kilogram quantities, utilizing the ephedrine/red-phosphorous method. In B.C., where an estimated 75 per cent of all meth lab seizures in Canada occurred in 2007, the bulk of operations were economic-based labs run by organized crime groups. A polydrug lab capable of producing multi-kilogram amounts of both methamphetamine and MDMA for combination tablets was seized in Delson, Quebec. (See MDMA (Ecstasy) section.) Single addiction-based labs producing meth were seized in Manitoba and Saskatchewan.

In 2007, both rural and urban settings were used to set up large and sophisticated meth laboratories. In January, an operational meth lab was discovered as a result of smoke and fumes emanating from sewer grates on the road adjacent to a private, urban residence in Burnaby, B.C. Approximately 30 kilograms of finished methamphetamine powder were seized. In February, a methamphetamine lab, 10 kilograms of suspected meth powder, and about 800 grams of crystal meth were seized from a rural, rental cottage located in Gooderham, Ontario. In May, another economic-based meth lab was discovered and seized from inside a 35 foot camper-trailer located on a remote, rural property in Forest Grove, B.C. The discovery of a 220 litre flask — believed to be the largest reaction vessel encountered to date in a clandestine lab in North America — indicated a large and sophisticated operation.

Organized crime groups have gained a steady foothold in the illicit synthetic drug production business and have taken every opportunity to expand their supply connections and reap lucrative profits.¹³ Their foray into the international methamphetamine trade followed the success of global MDMA distribution. As a result, within the past two years, Canada has earned a

reputation as an important methamphetamine source country. In the month of July 2007, a string of significant methamphetamine seizures effected in the Asia-Pacific region, notably Australia and Japan, indicated increased and heightened international smuggling from Canada to world markets. Air and marine cargo were utilized to smuggle shipments of methamphetamine ranging from 16 kilograms to 155 kilograms, the latter of which was part of a polydrug shipment. Several other smaller shipments (< 5kg) of Canadian-sourced methamphetamine were seized from air passengers and postal/courier packages destined for Australia and Japan. Another modest shipment seized in New Zealand involved the concealment of meth in marble, a similar modus operandi that was utilized in one of the larger shipments seized in Japan.

Methamphetamine produced in Canada also was destined for the Middle East in 2007. Two seizures of methamphetamine were effected en route to Iran. In one of these cases, two kilograms of meth were discovered in an outbound air cargo shipment; the drug had been concealed inside a commercial hot dog cart. Two separate seizures involved Canadian citizens attempting to smuggle two-kilogram shipments of methamphetamine from Canada to the United States via private vehicle.

Trafficking Activity and Groups

Domestic methamphetamine trafficking appears to have stabilized over the past year, particularly when compared to international trafficking activity from Canada to world markets. Intra- and inter-provincial trafficking of methamphetamine accounted for the greatest portion of domestic trafficking seizures, including finished product seized at regional lab sites. RCMP divisional reporting, especially in Western Canada, indicated ongoing meth abuse and, in some regions, increased use. Further, residual crimes associated with meth trafficking were also reported to have continued impact on various communities. Importations of foreign-produced methamphetamine into Canada continued to be limited in 2007. Almost two kilograms of methamphetamine were seized from luggage belonging to an air passenger arriving from Vietnam at Montreal International (Trudeau) Airport.

13 According to Canadian law enforcement reporting, a gram of methamphetamine sells for CDN \$900.00 in Japan, approximately 10-fold the North American market price.

As organized crime groups, particularly those with ancestral links to China, have become more entrenched in the synthetic drug trade, they have demonstrated capabilities to easily adjust to market supply and demand. The demand for methamphetamine in the Asia-Pacific region is at an all-time high and has dictated supply patterns across the globe. Transnational networks based in Canada hold extensive connections that have enabled them to swiftly advance from domestic trafficking to international distribution. At least a dozen seizures of Canadian-produced methamphetamine were effected abroad in 2007, indicating an accelerated pace at which organized crime across continents coordinate and execute sophisticated, drug trafficking operations.

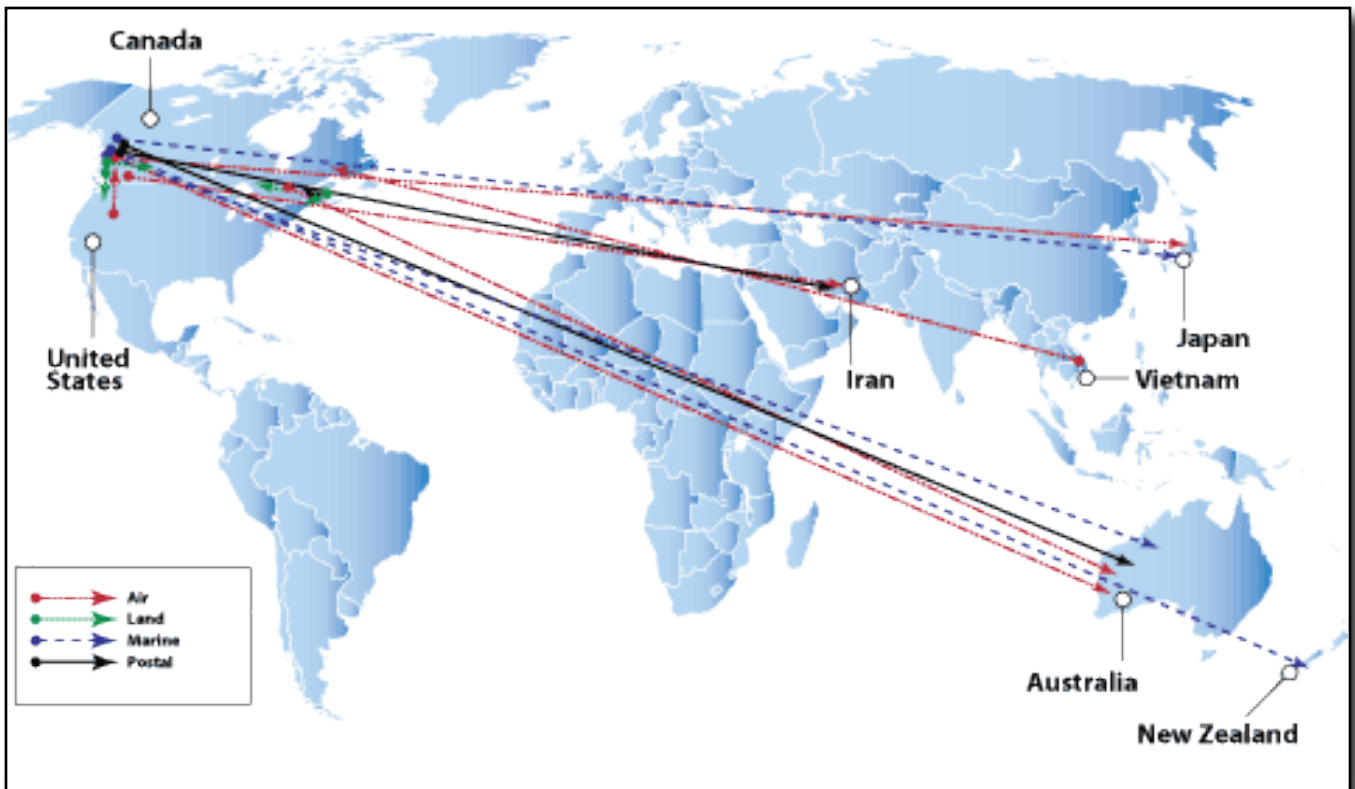
At the domestic level, a myriad of crime groups are engaged in methamphetamine trafficking activities from production and large-scale smuggling to mid-level distribution. While organized crime groups with links to China demonstrated their prominence in production, high-level trafficking, exportation, and precursor smuggling, other crime networks also showed continued and vested interests in meth trafficking and production, as well as ephedrine smuggling. For example, outlaw motorcycle gangs (OMGs) and independent crime groups were active in trafficking across the country and in methamphetamine production, notably in the Quebec and B.C. regions. Over the past several years, Indo-Canadian crime groups have become important brokers and suppliers of ephedrine smuggled into Canada from India for purposes of meth production. These groups collaborate or act as brokers for organized crime groups with origins in China who operate economic-based meth laboratories in B.C. and Ontario. In 2007, Indo-Canadian groups continued to smuggle ephedrine directly from India to Canada, and to transport shipments southbound across the Canada-U.S. border. Other individuals and criminal networks have also become involved in chemical brokering associated with both the meth and MDMA trades. (See Precursor Chemicals section.)

Major Seizures

- In July, 16 kilograms of methamphetamine were seized from two consecutive air cargo consignments arriving in Sydney, Australia. The shipments, declared as crystal dinnerware, originated in Windsor, Ontario.
- In July, Australian authorities seized another 16 kilograms of meth from marine cargo carrying shipments declared as home furniture. The drug was discovered after X-rays revealed anomalies in marble tables.
- In July, authorities in Osaka, Japan, seized 24 kilograms of meth from a marine consignment of marble originating in Surrey, B.C. A few weeks later in Osaka, Japanese Customs discovered a large, polydrug shipment containing 688,000 MDMA tablets, 280 kilograms of marihuana, and 155 kilograms of methamphetamine. The shipment was transported by marine cargo, concealed within a shipment of wood flooring originating in Vancouver.
- In December, 20 kilograms of methamphetamine were seized by Australian Customs from a marine cargo consignment declared as candles originating in Canada.



Crystal methamphetamine.



Methamphetamine trafficking patterns

OPIATES

Heroin

Key Findings

- Seizures of heroin increased between 2006 and 2007 by 19 kilograms.
- In 2007, the Canadian illicit heroin market was dominated by Southwest Asian heroin with no recorded seizures of heroin from Southeast Asia. Latin American/Colombian heroin continued to have a small presence.
- India remained the primary source/transit country of heroin coming to Canada in 2007.

Demand

Heroin is a semi-synthetic opiate drug made from morphine, a naturally occurring substance extracted from the seed pod of the *Papaver somniferum*, more commonly known as the opium poppy plant.

Characterized by its highly addictive nature, heroin use has become an increasingly marginal form of drug use among illicit opiate users in Canada. In fact, studies suggest the use of prescription opiates, commonly prescribed as pain-killers, has become the predominant form of illicit opiate use.

Heroin consumption remains one of the least common forms of drug use in Canada, with the exception of British Columbia. Heroin users are marginalized from society because of their drug use, which is often combined with other factors including mental health issues and homelessness. As a result, it is difficult to obtain an exact number of heroin users in Canada, although several surveys have attempted to provide these estimates in the past. In the past few years, there have been no new Canada-wide studies on drug consumption.¹⁴

Supply and Smuggling Patterns

For a sixth consecutive year, Afghanistan remains the world's leading producer of opium, the precursor of heroin. According to the 2008 World Drug Report,



Heroin concealed in suitcase lining.

Afghanistan's opium production increased dramatically between 2006 and 2007, rising 34 per cent, bringing Afghanistan's estimated total opium production to 8,200 metric tonnes (mt). Though actual opium production within the country of Afghanistan increased in 2007, the percentage of opium global production attributed to Afghanistan remained¹⁵ at 92 per cent, as reported in 2006.

The rise in opium production in Afghanistan has been accompanied by the rise in heroin production. Traditionally, the process of converting opium into morphine and then into heroin took place in Afghanistan's neighbouring countries. Over the last few years however, the United Nations Office on Drugs and Crime (UNODC) has noted increased evidence of heroin manufacturing within Afghanistan. None

¹⁴ At the time of publication, the Canadian Addiction Survey (2004) was the most recent study on the prevalence of drug use among the adult population in Canada.

¹⁵ This may be due to changes in opium production rates in other countries such as Lao PDR, Mexico, Pakistan and Myanmar.

of the precursor chemicals required to convert opium into heroin, such as acetic anhydride, are produced in Afghanistan. Authorities believe that large consignments of the required chemicals are being diverted from licit trade in neighbouring countries and smuggled into Afghanistan, where the ever increasing illicit conversion of opium into heroin then takes place.

Seizure data from Canada Border Services Agency (CBSA) indicates an increase in heroin seizures between 2006 and 2007 of approximately 19 kilograms for a total of 112 kilograms. This is largely attributed to an increase in seizures originating in India and Pakistan. This augmentation follows a trend which indicates a constant increase in heroin seizures since 2002.

The dominance of Southwest Asian heroin in the Canadian market has steadily increased since the early millennium, with Southeast Asia being replaced as the primary source region. India has once again emerged as the number one source/transit country to Canada. Heroin from Latin America also continued to have a presence in Canada, with CBSA reporting two significant seizures in 2007. According to seizure data, 2007 also saw the emergence of West Africa as a transit point for heroin en route to Canada.

Various methods are used to import heroin into Canada such as postal and courier modes, air transport, as well as commercial or personal vehicles. In 2007, the majority of the heroin smuggled into Canada entered via the postal mode, whereas the largest single quantity of heroin seized arrived via courier.

An increasingly sophisticated array of concealment methods were utilized to smuggle heroin into Canada in 2007. The predominant concealment method used by air passengers involved false luggage compartments, while concealment in air cargo, courier and postal shipments involved items such as cricket bats, wooden statues, pictures frames, book covers, hollowed out candles, as well as false inner linings of leather briefcases.

Trafficking Activity and Groups

Prior to Afghanistan's emergence as the world's leading opium producer, organized crime groups with origins in Southeast Asia dominated the heroin trade in Canada. Increasingly, however, these groups have diversified into other drug markets, such as synthetics, marihuana, and cocaine, which yield higher profit margins.

Benefitting from record opium production rates over the past few years, organized crime groups with origins in Southwest Asia continue to dominate the Canadian heroin market. For example, Indo-Canadian organized crime groups remain heavily involved in the importation of heroin to Canada, predominantly through the Vancouver and Toronto international airports.

Major Seizures¹⁶

- In March, the largest single heroin seizure of 2007 was effected at Toronto Pearson International Airport by CBSA officers. Two courier parcels, each containing 10 cricket bats and 6 cricket balls, contained a total of 43 kilograms of heroin concealed inside the interiors of the bats. The heroin was discovered as a result of X-Ray imaging. Both parcels originated in India and arrived in Canada on board a commercial flight from Russia. The parcels, which had been sent by different exporters, were addressed to different recipients in Ontario and Quebec.
- In March, 21 kilograms of heroin were seized by CBSA officers at Toronto Pearson International Airport. An Indian national (Canadian permanent resident), returning from India, had concealed the heroin behind the inner lining of his luggage.
- In September, a Canadian female, returning from India, was detained by CBSA officers at Toronto Pearson International Airport after 15 kilograms of heroin were discovered in the false bottoms of her luggage. Arriving on another flight from India the following day, her brother and sister, also Canadian nationals, were caught smuggling a total of 29 kilograms of heroin in the false bottoms of their luggage using the same concealment method.

¹⁶ Heroin seizures reported in CBSA monthly drug reports.

There were two significant seizures of Colombian/Latin American heroin in Canada in 2007.

- In January, over one kilogram of Colombian heroin, along with 11 kilograms of cocaine, was discovered in the rear cargo hold of an aircraft that had arrived from Guyana. The drugs were concealed in two sports bags hidden under the floor rails.
- In June, 13 kilograms of Latin American heroin were seized by CBSA officers at Toronto Pearson International Airport from a Dutch national arriving from Brazil. The passenger's unusual travel routing — Amsterdam/Rio de Janeiro/Atlanta/Toronto — and x-ray anomalies prompted authorities to search the individual's baggage. The heroin was concealed in a false bottom of the luggage.

Seizures en route to Canada

- In May, U.S. authorities seized a courier parcel which contained over one kilogram of heroin. According to the shipping label, the parcel contained Indian sarees; packets of heroin had been glued to newspaper and silk fabric and then rolled up into the fabric of the sarees. The package originated in India and was destined for Toronto, Ontario.
- In November, French authorities seized a courier parcel containing 520 grams of heroin. The parcel, which originated in Accra, Ghana, was destined for the Greater Toronto Area.

Opium

Key Findings

- Available data indicated a slight increase in opium seizures between 2006 and 2007 of approximately 24 kilograms.
- Turkey emerged as the primary source/transit country for opium seizures in Canada with Iran a close second.
- The majority of opium smuggled in the courier and postal modes involved opium concealed in commercially packaged chocolates.

Demand

Opium is a narcotic analgesic collected from the resin released from lacerated immature opium poppy seed pods. Native to Southeastern Europe and Western Asia, it is commonly consumed by older, middle to upper class males of Middle Eastern descent. Consumption methods can range from chewing or eating the raw opium to the more prevalent use of smoking opium. Within Canada, members of the Middle Eastern communities of Vancouver and Toronto are the primary consumers of this illicit drug.

Supply and Smuggling Patterns

According to the UNODC, in 2007, approximately 235,700 hectares of opium poppies were cultivated worldwide, representing a 17 per cent increase from 2006. Overall opium production also increased in Southeast Asia, jumping from 335 metric tonnes (mt) in 2006 to 469 mt in 2007. Afghanistan accounted for 82 per cent of the global area under opium poppy cultivation, the majority of which was concentrated in the Southern regions of the country. There was an increase in opium cultivation in Myanmar in 2007, however this represented only five per cent of the overall global production.

In July 2007, the first-ever illegal poppy grow operation was seized in Canada. The Calgary Police and the RCMP executed a Controlled Drugs and Substances Act (CDSA) search warrant on a home in Calgary, Alberta. Approximately 1,000 opium poppy plants with an estimated street value of \$40,000 were seized. An individual of East Indian descent was charged with production and possession for the purpose of trafficking.

There was a slight increase in the quantity of opium seized in Canada, from 124 kilograms in 2006 to approximately 148 kilograms in 2007. Quantities varied from a few hundred grams to a noteworthy 53 kilograms. The majority of these seizures originated in Turkey, followed by Iran.

Methods of transportation in 2007 remained relatively similar to those used in previous years, with opium continuing to be smuggled into Canada via the courier and postal modes, as well as through the air cargo stream. The majority of opium smuggled in the courier and postal modes was concealed in commercially packaged chocolates. This emerging modus operandi was reported in five different smuggling attempts in 2007. Other notable methods of concealment for opium included the inner linings of leather briefcases, as well as the hollowed-out compartments of wooden picture frames.

Trafficking Activity and Groups

Organized crime groups with ties to the Middle East are among the few groups in Canada that specialize in the importation and trafficking of opium.

Major Seizures¹⁷

- In March, two courier shipments containing a total of 24 leather briefcases were intercepted at Toronto Pearson International Airport by CBSA officers. The parcels originated in Turkey and were destined for the same address in Markham, Ontario. A total of 24 kilograms of opium was discovered inside the inner linings of the briefcases after authorities noted the poor quality of the briefcase stitching and referred the shipments for further inspection.
- In September, 53 kilograms of opium and 108 kilograms of hashish, representing the largest single opium seizure of 2007, were seized by CBSA officers at Toronto Pearson International Airport from a commercial shipment described as chinaware and kitchenware. The shipment, which arrived via air cargo, originated in Iran (via France) and was destined for a commercial address in the Greater Toronto Area (GTA).
- In October, 12 kilograms of opium were seized by CBSA officers at the Montreal Postal Unit after x-rays discovered anomalies in two parcels. Further examination of the parcel contents revealed wooden picture frames with opium concealed within hollowed-out compartments. The parcels originated from the same exporter in Turkey, and were destined for private residences in Toronto, and Ottawa, Ontario.

Seizures en route to Canada

- In January, two air cargo shipments (one private, one commercial), containing a total of 12 kilograms of opium, were seized by French authorities. The private shipment, declared as handicrafts, revealed opium concealed in marble columns, while the commercial shipment contained opium embedded in the wooden boards of the shipment crate. Both shipments originated in Iran and were destined for Canada.
- In March, Belgium authorities intercepted a courier shipment of leather briefcases originating in Turkey and destined for Canada. A total of 12 kilograms of opium were discovered concealed inside the inner linings of 24 leather briefcases. This method of concealment has been used several times since June 2006.
- In October, French authorities seized a courier parcel containing 800 grams of opium concealed inside various ornamental wood carvings. The shipment originated in Ghana and was destined for an address in Toronto, Ontario (via France).
- In December, U.S. authorities seized a courier parcel of leather briefcases originating in Turkey and destined for a private address in the GTA. A total of seven kilograms of opium were discovered in the package. Further examination of the briefcases revealed sheets of opium concealed behind the outer lining.

17 Opium seizures reported in CBSA monthly drug reports.

OTHER SYNTHETIC DRUGS

Key findings

- Synthetic opiates, ketamine and gamma hydroxy butyrate (GHB) continued to be dominant substances trafficked within the ‘other synthetic drugs’ group, in 2007.
- Traffickers continued to practice diversion from domestic sources and international smuggling to acquire black market pharmaceutical products.
- Ketamine remained one of the more common substances found in MDMA tablets.

Demand

There has been less demand for most ‘other illicit synthetic drugs’ since the arrival of MDMA and the rave movement in North America. The ‘raves’ were also responsible for the re-emergence in popularity of methamphetamine. Raves, and the spin-off club scene introduced substances such as gamma hydroxy butyrate (GHB) and ketamine to the illicit market. Despite sustained availability and consumption of these substances, they have never reached levels of supply and demand comparable to those of MDMA and methamphetamine.

Notwithstanding the dominance of MDMA and meth trafficking within the last decade, demand for traditional illicit substances such as LSD and phencyclidine (PCP) has fluctuated regionally, dependent on availability and varying consumer populations. As relative newcomers to the illicit synthetic drug market, GHB and ketamine have attracted the attention of organized crime groups, albeit to a much lesser extent than MDMA and methamphetamine. This has resulted in wider availability, especially among youth and young adult consumers. In 2007, demand trends for these substances remained stable. Seizure activity involving ketamine decreased from 2006. While not prevalent, the drug was reported available in both Eastern and Western Canada. Ketamine also remains a commonly found component in MDMA tablets.

Diverted pharmaceutical trafficking has remained stable and constant for decades. In 2007, synthetic opiate (opiate derivative) prescription drugs continued to be readily available and sought after on the illicit market. Wide availability and abuse of oxycodone continued to be a prominent problem in Eastern Canada.^{18 19} Counterfeit tablets of prescription drugs used to treat erectile dysfunction remained a significant problem in the Quebec region.

Demand for black market anabolic steroids has remained constant among specific user groups, especially those desiring physical enhancement (sports/fitness consumers).

As observed in the meth and MDMA trades, organized crime groups take every advantage to exploit market opportunities. Following emerging trends in precursor/essential chemical trafficking, non-scheduled, so-called ‘designer’-type substances²⁰ surfaced in 2007 as frequent ingredients in multi-component logo tablets sold as MDMA. As well, these substances have been promoted by so-called legitimate companies purporting to sell a “new breed of club pills” without the apparent harmful effects of MDMA and its analogues. Developing strategies to create demand for this group of drugs should be closely monitored.

Supply and Smuggling Patterns

Clandestine laboratories manufacturing PCP and LSD have not been discovered in Canada for some time. It is believed, however, that supplies of these substances continue to be produced in domestic underground operations. LSD seizures in 2007 confirm that the trade remains limited but viable. In May, 50,000 dosage units of LSD were discovered at Vancouver International Airport (VIA) in an outbound courier shipment destined

18 Although less of a problem in comparison to oxycodone, regional reporting also indicated the misuse of hydromorphone to be a continuing pattern in 2007.

19 Reporting in these regions link the expansion of demand for illicit supplies of opiate-type prescription drugs to relatively cheaper prices combined with the powerful effects that these substances provide.

20 In Canada, such substances that have emerged in the illicit market, predominantly under the guise as MDMA tablets or as actual ingredients in combination MDMA tablets. These include: piperazine, 1-benzylpiperazine (BZP), 2C-B, 1-(3-chlorophenyl) piperazine (mCPP), 3-TMFPP and 5-MeO-DIPT (Foxy-Methoxy)

for a private residence in Vietnam. Sheets of the blotter LSD were concealed behind pictures in an 'exotic car' catalogue.²¹ Regional reporting of street-level pricing for LSD indicates a range between \$5 and \$15 per dosage unit (blotter/tablet). Seizures of PCP, once a readily available and used drug in the Quebec region, have been rare over the last several years. Notwithstanding, intelligence indicators and reporting of cross-country street availability point to the drug's continuing presence in the illicit synthetic drug market.

Ketamine, an analogue of PCP, emerged on the North American illicit synthetic drug market in the aftermath of the rave explosion, and is frequently used within the club scene due to its hallucinogenic properties. Supplies of the drug derive from both diversion from legitimate domestic sources, and from smuggled shipments originating in foreign countries. In the early years after GHB emerged on the illicit market, supplies were plentiful. While decreased popularity and less trafficking activity have been seen in recent years, domestic production is reported to be ongoing, providing the bulk of supply to the illicit domestic market.²²

Supplies of diverted prescription drugs have traditionally been acquired by means of diversion from legitimate sources. This pattern continued in 2007 while smuggling of international shipments of opiate derivative pharmaceuticals increased. In particular, three significant seizures of codeine originating in India were effected from postal parcels destined for Ontario. These seizures respectively involved 57,000 tablets, 16 kilograms of powder, and a total of 78 kilograms of powder in four consecutive parcels. A relatively small shipment of oxycodone was seized from a postal parcel arriving in Montreal from the U.S. state of New Jersey. Modest amounts of benzodiazepines were also intercepted from international shipments in the past year. Almost 3,000 tablets of nitrazepam, a benzodiazepine used primarily to treat anxiety and seizures, were discovered in a postal

package originating in India and destined for Ontario. A thousand diazepam tablets were seized from an air passenger arriving in Vancouver from Thailand.

International sources of supply have been frequently used to obtain black market anabolic steroids for the Canadian market. In 2007, imports of moderate-sized shipments were seized by Canada Border Services Agency (CBSA) from postal/courier parcels sent from the United States, Europe, the Middle East, and Asia. CBSA reporting indicated a significant decline in the number of seizures, and in the total amount of anabolic steroids seized in 2007 compared to 2006. However, two anabolic steroid operations were dismantled in Canada, indicating increased domestic supply. In Bridgewater, Nova Scotia, a sophisticated anabolic steroid operation was discovered in a private residence. The subject had obtained the raw anabolic steroid supplies from China and produced 16 types of injectable and five types of tablet forms of anabolic steroids. The products were sold via the internet to customers both in Canada and the United States.²³ In October 2007, a subject who was arrested at his residence in Toronto in possession of five boxes of the anabolic steroid, Stanobol, was linked to two Canadian-based companies illicitly selling anabolic steroids over the internet. This investigation was linked to the U.S. Drug Enforcement Administration (DEA) Operation 'Raw Deal' which focused on the dismantling of U.S. and some Canadian sources of supply for anabolic steroids.

Information regarding supply and smuggling patterns of currently unregulated substances²⁴ (in Canada) that have been advertised as a new generation of club drugs is limited. This is related to the emerging nature of this group of drugs and their role in the Canadian illicit synthetic drug trade. As these drugs are not currently controlled under the Controlled Drugs and Substances Act (CDSA), they are obtained from various suppliers that are in the business of selling these substances as 'safe',

21 Reporting from the Atlantic region indicated that several LSD seizures were effected in 2007, involving smaller quantities, ranging from 5 to 800 dosage units. A polydrug seizure at a port of entry (POE) in the U.S. state of Montana, netted 2,000 MDMA tablets and 715 LSD tablets from a vehicle occupied by two U.S. citizens returning from Canada.

22 Reported good availability of the GHB precursor GBL in the illicit precursor chemical trade further indicates ongoing, stable production of GHB.

23 It is noteworthy that this same individual was also producing counterfeit Viagra and Cialis (erectile dysfunction drugs). These products have been marketed most often in the Quebec illicit market.

24 Health Canada has issued public statements emphasizing the health risks associated with consumption of many of these substances. Health Canada is currently carrying out assessments to determine whether some of these drugs should be regulated under the CDSA.

legal alternatives to more dangerous street drugs such as MDMA and methamphetamine. Traffickers have taken advantage of this market opportunity and have used some of these substances in tablets marketed as MDMA (Ecstasy). In October 2007, 28,000 white tablets with a rocket logo, originally thought to be MDMA, were seized from a postal package originating in Scotland and destined for a private residence in Moncton, New Brunswick. The drug was contained in 12 bags concealed inside a 16-litre electric urn used for hot beverages. An analysis of the substance determined that the drug was actually piperazine, which is unregulated in Canada. As a result of these findings, charges were dropped against the Moncton resident.

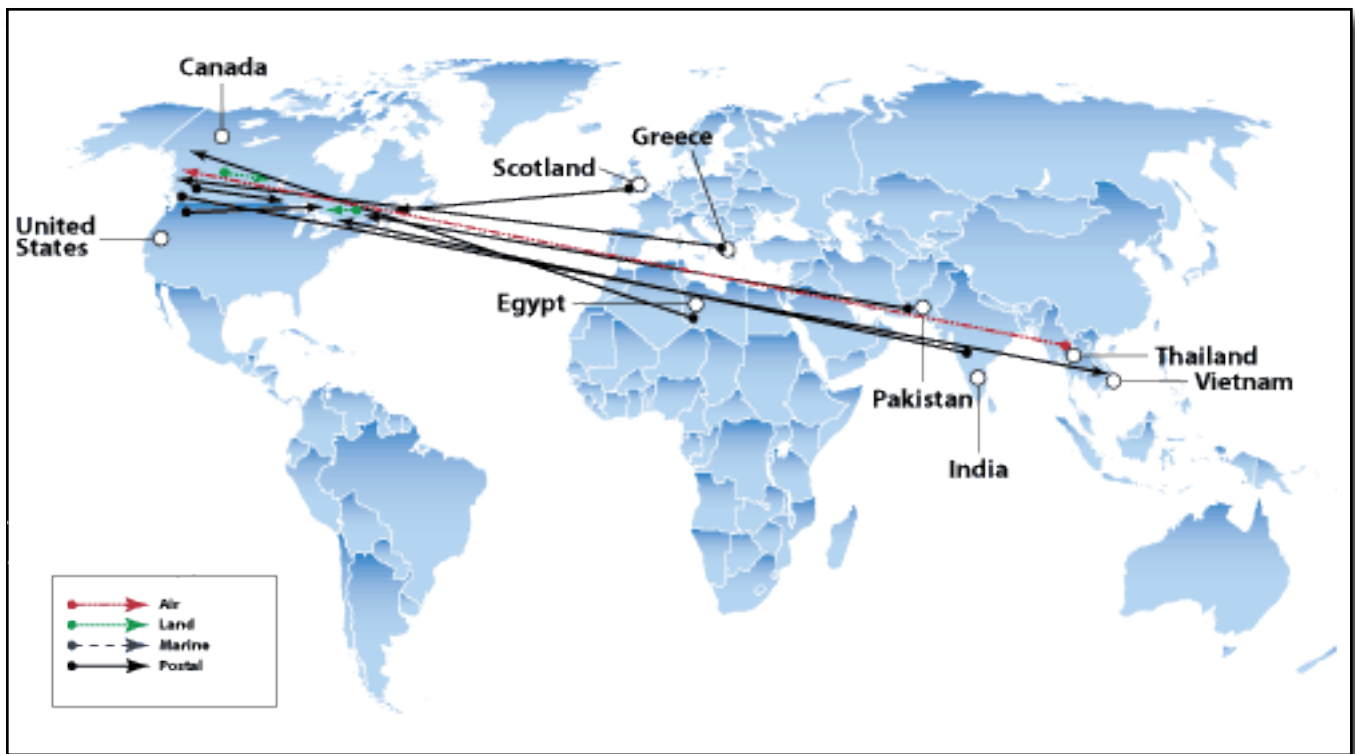
Trafficking Activity and Groups

Seizure activity and intelligence indicators point to diverted pharmaceuticals, notably opiate derivatives, ketamine and GHB, as comprising the highest levels of trafficking activity for the 'other synthetic drugs' group in 2007. While organized crime groups have been involved to some extent in ketamine and GHB trafficking over past years, their involvement in diverted opiate-derivative prescription drugs is more recent. Independent crime groups appear to dominate trafficking activities involving this group of drugs, however organized crime groups of Chinese descent, Outlaw Motorcycle Gangs (OMGs), and Indo-Canadian crime groups have also been linked to ketamine, GHB, and opiate-derivative pharmaceutical trafficking. In August 2007, a vehicle driven by a well-known member of an Indo-Canadian crime group was intercepted on Highway 401 near Ottawa, Ontario, resulting in the seizure of 22,000 oxycodone tablets.

As the synthetic drug trade in Canada has demonstrated, organized crime groups are dynamic and flexible, swiftly adapting to changing illicit drug trends, enforcement actions and government regulations. At the same time, they have shown a strong capability to direct and significantly shift supply and demand patterns. Emerging non-controlled designer-type substances in the illicit trade is a prime example of how synthetic drug trafficking is based upon existing market demands and product diversification.

Major Seizures

- In January, a sophisticated anabolic steroid operation was dismantled in a private residence located in Bridgewater, Nova Scotia.
- In February, 57,000 tablets of codeine were seized from a postal parcel originating in India and destined for Ontario.
- In May, 50,000 doses of blotter LSD were seized at VIA from an outbound courier parcel destined for Vietnam.
- In October, a vehicle search in Edson, Alberta, led to the seizure of multiple opiate derivative prescription drugs: 40,521 milligrams of morphine (various forms); 2,000 milligrams of liquid and tablet methadone; 7,300 milligrams of codeine; 500 milligrams of oxycodone; and, 1,950 milligrams of hydromorphone.
- In November, a vehicle search in Waterloo, Ontario, revealed 10,300 anabolic steroid tablets, 100 vials of injectable anabolic steroids, as well as 22,000 tablets of ephedrine.



Other synthetic drugs trafficking patterns

Key findings

- India and China remained major sources of supply for both controlled and unregulated chemicals used in Canada in the production of illicit synthetic drugs.
- Organized crime groups with origins in both China and India remained heavily involved in the importation and smuggling of precursor chemicals required to produce meth and MDMA.

Demand

The acquisition of precursor chemicals for the illicit manufacture of synthetic drugs remained a high demand activity for Canadian-based traffickers in 2007. A notable trend in chemical trafficking over the past year was an increased demand for essential chemicals that are currently unregulated in Canada. In the British Columbia (B.C.) and Ontario regions, the wide availability of precursor and essential chemicals is believed to have contributed to the increased production capacity of methamphetamine and MDMA labs.

In 2007, ephedrine, red phosphorous and hydriodic acid (methamphetamine synthesis) and MDP2P (MDMA synthesis) and, to a lesser extent, GBL (GHB synthesis) were the most prevalent controlled chemicals in demand, while iodine crystals (meth synthesis), sodium borohydride, and methylamine (MDMA synthesis) were the most sought after unregulated chemicals for use in clandestine synthetic drug production. Law enforcement reporting indicates an increased demand in Western Canada for chemical solvents from domestic suppliers.

In keeping with the emerging trend of demand for diverted, unregulated chemical substances, drug traffickers in 2007 were reported to be actively involved in importing cocaine “cutting agents” such as benzocaine and procaine from the United States and China. Drug analyses of marketed MDMA tablets seized in 2007 revealed that procaine had been mixed with MDMA and other components.

Supply and Smuggling Patterns

Foreign countries, notably India and China, remained major sources of supply for both controlled and unregulated chemicals used in Canadian illicit synthetic drug production, although 2007 also saw increased diversion from domestic sources. At least 20 metric tonnes combined of MDMA and methamphetamine precursor chemicals originating in China and India were seized in or en route to Canada over the last three years. The number of seizures of such chemicals heightened in 2005/06 and then declined in 2007. While there were several significant seizures of ephedrine originating in India and destined for Canada, the total amount seized decreased slightly from 2006. In the past year, however, the number of ephedrine seizures in Canada increased, linked to domestic sources of supply.

While no MDP2P seizures were made at Canadian ports of entry (POEs) in 2007, a one-tonne shipment of methylamine (used with MDP2P to synthesize MDMA) originating in China was discovered by CBSA in Vancouver. As mentioned above, methylamine is not regulated under the Canadian Precursor Control Regulations and as such is not illegal to possess. As well, Canadian law enforcement seized about 300 kilograms of MDP2P at a domestic site; the shipment was presumed to have originated in China.

Several reasons account for the overall decrease in the number of controlled precursor chemical seizures made in 2007 at Canadian POEs, including stockpiling of previous shipments and continued, undetected international smuggling. A third reason, based on crime displacement theory, is attributed to the growing demand by drug traffickers for unregulated chemicals. As organized crime groups started to lose shipments to aggressive law enforcement and increased detection over the last several years, they began to import or divert from domestic sources, unregulated chemical substances and unscheduled drugs to produce finished illicit synthetic drug products. The lack of regulations related to the

import, sale or possession of common lab equipment, notably pill presses, has afforded traffickers easy access to such clandestine lab apparatus. Indeed, chemical smuggling patterns continue to be dictated by demand; the ultimate goal is to procure whichever substances and equipment are available and required to produce illicit drugs which reap financial gain.

Bulk chemical shipments smuggled into Canada from foreign countries in 2007 were transported by marine and air cargo. In addition, the postal system was used to import groups of smaller shipments of ephedrine, in both dosage unit and powder forms, originating in India. To evade detection, traffickers attempted to smuggle smaller shipments using intentionally mislabeled consignments. Private vehicles and tractor trailers were employed to move shipments of ephedrine across Canada and, to a lesser extent, to the United States. In December, 205,884 capsules of ephedrine were seized from a tractor trailer entering the United States from Canada, carrying a load declared as “Royal Jelly” capsules.²⁵ Aside from the diversion and trafficking of both controlled and unregulated chemicals, traffickers also committed theft to obtain controlled chemicals. In 2007, law enforcement in Western Canada reported numerous seizures of red phosphorous and ephedrine that had been procured by theft from legitimate supply sources. Also, other information sources indicated steady use of the internet to order chemical supplies from both Canadian and foreign sources.



Barrels of ephedrine, used to make methamphetamine.

Trafficking Activity and Groups

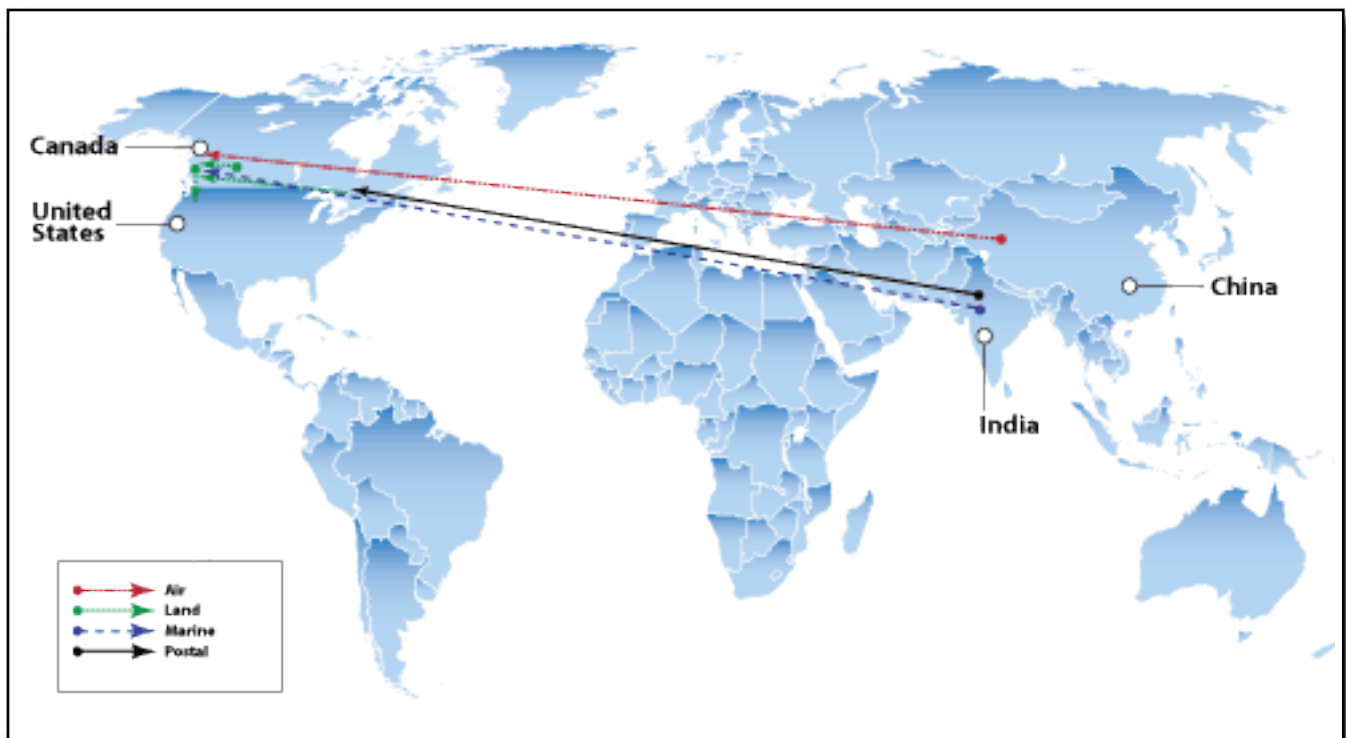
Despite a relatively small decline in seizures of international precursor shipments in 2007, investigative activity and intelligence indicators point to a burgeoning industry in precursor and essential chemical trafficking. In 2007, chemical brokering grew as a lucrative criminal business, providing opportunities for crime groups of all levels. Smaller crime groups have reportedly made substantial profits from selling chemicals to groups or networks directly involved in clandestine lab operations. Individuals and crime networks have acted as brokers and distributors of controlled chemicals for some time, although 2007 saw the emergence of specialization in the brokering and distribution of unregulated chemicals.

As organized crime groups began acquiring chemicals from foreign source countries, they also adjusted diversion and smuggling methods, chemical choices, reactions or drug mixtures to evade detection at both the domestic and international levels. Organized crime groups with origins in China continued to dominate and expand their involvement in the importation and trafficking of meth and MDMA precursor chemicals, particularly in the Ontario and B.C. regions. In a continuing trend, Indo-Canadian crime groups based in the same regions were strongly associated with ephedrine smuggling from India to Canada and with transporting ephedrine shipments from Canada to the United States. These groups continued in 2007 to work as transporters for, or collaborators with, organized crime groups with origins in China. Crime groups of Vietnamese descent were also linked to cross-country ephedrine smuggling. Outlaw Motorcycle Gangs (OMGs), independent crime groups, as well as individual traffickers, were most active in domestic chemical diversion and trafficking in 2007. These groups also imported and diverted controlled chemicals to a lesser extent.

²⁵ As in previous years, either bulk powder or tablet shipments of ephedrine were the most commonly used forms of the chemical trafficked from Canada to the U.S. . The concealment of ephedrine inside capsules is noteworthy.

Major Seizures

- In January, 198 kilograms of ephedrine were seized from two consecutive marine cargo shipments declared as grocery store items, spices, and toiletries arriving from India. The shipments actually contained cosmetics and health products. The ephedrine was concealed inside sacks labelled as raw sugar.
- In May, 591 kilograms of stolen red phosphorous were seized from a storage site in B.C. The shipment was returned to the legitimate owner, a battery recycler.
- In September, 250 kilograms of ephedrine were seized from a commercial truck stopped in Falcon Lake, Manitoba, en route from Ontario to B.C.
- In December, a total of 68 kilograms of ephedrine were seized from seven consecutive shipments originating in India. All seven parcels were destined for addresses in the Greater Toronto Area.
- In December, an estimated 500 kilograms of ephedrine were seized in India en route to Canada.



Precursor chemicals trafficking patterns

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

Key Findings

- In 2007, the total value of potential proceeds of drug seizures by Canadian law enforcement agencies amounted to over \$2.6 billion.
- At over \$2.3 billion, cannabis and its derivatives continue to account for the largest portion of all potential proceeds from drug seizures in Canada in 2007.

Drug trafficking continues to generate more profit than the trafficking of any other commodity. As with most crimes, criminals engage in drug trafficking activities to make money. This section discusses the estimated street value of the drug seizures by law enforcement agencies and the resulting loss of revenue by organized crime. The drug value at street level is based on values reported across the country.

Most crimes are committed for financial gain. Criminals launder money to conceal the proceeds obtained through criminal activity. Money laundering consists of placing proceeds of crime into the financial system and performing a series of transactions such as wire transfers, currency conversion, and the purchase of assets. The layering of these transactions makes it difficult to trace the origin of the funds. Once the funds have been carefully layered, they are then integrated back into the financial system with the appearance of legitimacy.

Money laundering is particularly relevant to drug traffickers because they are paid in cash. They have large amounts of cash, in small denominations, to “clean”. Drug traffickers use various methods to launder drug proceeds. Proceeds may be moved through Money Service Businesses and wired offshore, or converted into a different currency. They could also use the proceeds to invest in real estate, or operate a legitimate business, allowing them to combine legitimate income with proceeds of crime. There are numerous ways to launder money, and as technology advances, new trends emerge.

In 2007, the total potential proceeds of drug seizures amounted to \$2.6 billion. Table 1 represents the drugs seized by Canadian law enforcement agencies in 2007 and the net potential proceeds they would represent at street level. For the purpose of this analysis the lowest street prices were used to calculate the proceeds.

Cannabis Derivatives

Cannabis and its derivatives continue to account for the majority of revenue lost by organized crime at 91 per cent of all potential proceeds from seizures. Included in cannabis derivatives are marihuana, hashish and hashish oil. Most of the seizures were marihuana, representing a street value of over \$2.3 billion. The 342 kilograms of hashish and hashish oil seized represents a total value of approximately \$3.4 million. The average cost for cannabis derivatives remains consistent for the last few years at \$10 per gram.

Opium

The amount of opium seized represents less than one per cent of the proceeds seized in 2007. Approximately 148 kilograms of opium were seized, representing over \$4.4 million at a value of \$30 per gram. Depending on the region in Canada, opium sells on the street for \$30 to \$150 per gram.

Heroin

The total amount of heroin seized was 112 kilograms calculated at a street value of \$180 per gram amounting to \$20 million in potential proceeds. Heroin represented less than one per cent of the total proceeds seized in 2007. Heroin pricing varies substantially throughout Canada with the price of a gram ranging from \$180 to \$1,200 depending on the region.

Cocaine

The amount of cocaine seized represents 4 per cent of total proceeds seized in 2007, for all illicit drugs in Canada. Approximately 2,630 kilograms of cocaine were seized, at a price of \$40 per gram, representing proceeds of \$105.2 million. The cost of cocaine at street level ranges from \$40 to \$200 per gram and varies significantly by city across Canada.

Table 1: Potential Drug Proceeds Net at Street Level for 2007			
Drug Type	Units	Price/Unit (CAD\$)	Proceeds
Cannabis Plant	1,878,178 plt	\$1,000	\$1,878,178,000
Cannabis Herb	49,918,000 g	\$10	\$499,180,000
Hash	227,000 g	\$10	\$2,270,000
Hash Oil	115,000 g	\$10	\$1,150,000
Opium	148,000 g	\$30	\$4,440,000
Heroin	112,000 g	\$180	\$20,160,000
Cocaine	2,630,000 g	\$40	\$105,200,000
MDMA/Ecstasy	310,000 g	\$200	\$62,000,000
	1,374,592 units	\$5	\$6,872,960
Methamphetamine	170,500 g	\$70	\$11,935,000
	9,000 tablets	\$5	\$90,000
Khat (Catha Edulis)	28,270,000 g	\$0.50	\$14,135,000
Total			\$2,605,610,960

* This report used several sources, including Health Canada's Controlled Drugs and Substances Database (CDSDB) which contains information on drug seizures effected by all levels of policing nation-wide. Due to ongoing investigations, in some cases there will be a significant time lag between the actual drug seizure date and the time this information is entered into the Health Canada database. Consequently, the CDSDB figures will differ from those obtained by the RCMP; therefore, the RCMP did not solely rely upon CDSDB data to compile this report.

The seizure data provided in this report is based on information collected from a variety of sources, including RCMP databases, Canada Border Services Agency (CBSA) information and Health Canada's Controlled Drugs and Substances Database (CDSDB). Any significant increases or decreases in quantities seized in 2007 do not necessarily reflect changes in either production or law enforcement efforts.

MDMA (Ecstasy)

The amount of MDMA seized in 2007 amounts to over two per cent of potential drug proceeds. The street value of 310 kilograms and over 1.3 million units seized equates to over \$68.8 million. MDMA was calculated at \$5 per unit and \$200 per gram. At the street level, MDMA is more commonly sold by pill or tab, resulting in a lack of pricing information per gram. The only existing price per gram comes out of British Columbia at \$200 per gram.

Methamphetamine

The amount of methamphetamine seized in 2007 represents less than one per cent of potential drug proceeds seized. Methamphetamine was seized in both powder and tablet form. Over 170 kilograms and 9,000 tablets were seized, representing a street value in excess of \$12 million. The value was calculated using \$5 per unit, and \$70 per gram.

Khat (Catha Edulis)

In 2007, over 28 tonnes of khat with an approximate street value in excess of \$14 million were seized. Khat is normally priced per gram, with a consistent street level cost of \$0.50 per gram.

APPENDIX “A”

Canada Drug Seizure Data			
	2005	2006	2007*
Cocaine	2,556 kg	2,676 kg	2,630 kg
Hashish	438 kg	27,730 kg	227 kg
Hash Oil	71 kg / 68 lt	1,060 kg	115 kg
Heroin	83 kg	93 kg	112 kg
Khat	17,411.5 kg	13,917 kg	28,270 kg
Marihuana	2,055,715 plt / 56,226 kg	1,749,057 plt / 13,154 kg	1,878,178 plt / 49,918 kg
MDMA/Ecstasy	3,200,000 units	3,000,347 units	1,374,592 units
Methamphetamine	58.434 kg / 2,000 units	58.506 kg	170,500 g / 9,000 tablets
Opium	16 kg	124 kg	148 kg

* This report used several sources, including Health Canada’s Controlled Drugs and Substances Database (CDSDB) which contains information on drug seizures effected by all levels of policing nation-wide. Due to ongoing investigations, in some cases there will be a significant time lag between the actual drug seizure date and the time this information is entered into the Health Canada database. Consequently, the CDSDB figures will differ from those obtained by the RCMP; therefore, the RCMP did not solely rely upon CDSDB data to compile this report.

The seizure data provided in this report is based on information collected from a variety of sources, including RCMP databases, Canada Border Services Agency (CBSA) information and Health Canada’s Controlled Drugs and Substances Database (CDSDB). Any significant increases or decreases in quantities seized in 2007 do not necessarily reflect changes in either production or law enforcement efforts.

GLOSSARY

Addiction-based synthetic drug laboratories: These types of 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.

The Birch Reduction method: This method is a synthesis process for manufacturing methamphetamine which is extremely volatile. While the method involves the use of ephedrine/pseudoephedrine like the Red P method, it also utilizes a group of essential chemicals such as lithium or sodium and anhydrous ammonia which are extremely reactive, thus making the synthesis route very dangerous. This method yields smaller quantities of methamphetamine, and therefore is typically practiced in addiction-based laboratories. As the incidence of economic-based meth labs has risen in recent years, the utilization of the Birch Reduction method has simultaneously decreased.

Crack: Crack is a cocaine derivative converted from cocaine hydrochloride.

Ephedrine/pseudoephedrine reduction via hydriodic acid (HI) and red phosphorous (Red P) method: This well-known synthesis route for producing methamphetamine reduces ephedrine or pseudoephedrine by the addition and reaction with red phosphorous and hydriodic acid. This method was first noted in California and became commonplace in meth labs run by Mexican organized crime networks. It was subsequently adopted by traffickers in British Columbia from where its popularity has spread across the country.

Essential chemical: An essential chemical is any chemical other than a Class A or B precursor that constitutes an essential part of the synthesis route although it may or may not form part of the actual chemical structure of the controlled drug or substance being produced. Examples of such chemicals are methylamine and sodium borohydride.

GBL: The acronym for gamma butyrolactone, a precursor chemical used in the synthesis of gamma hydroxy butyrate (GHB).

GHB: The acronym for gamma hydroxy butyrate, GHB is a Schedule III drug and is synthesized using a clear liquid known as gamma butyrolactone (GBL) and a white crystal known as

sodium hydroxide. Once popular among body builders for its reported stimulation of growth hormones, GHB emerged as a popular party drug in the 1990s due to its depressant and aphrodisiac effects.

Ketamine: An analogue of phencyclidine (PCP), ketamine, emerged on the North American illicit synthetic drug market in the aftermath of the rave explosion, and is frequently used within the club scene due to its hallucinogenic properties.

LSD: D-lysergic acid diethylamide. A synthetic hallucinogenic drug derived from lysergic acid. LSD is an extremely potent drug, and is usually seen in the form of blotter paper, and occasionally diluted in various liquids. It is colourless and odourless.

MD2P2: The acronym for 3,4-methylenedioxy phenyl-2-propanone, MDP2P is a precursor chemical required for the synthesis of MDMA.

MDMA: The acronym for 3,4-methylenedioxy-n-methylamphetamine, MDMA is a Schedule III synthetic hallucinogen with amphetamine-like properties. It is usually sold on the street in tablet or capsule forms. While there are various street names that have been attributed to this drug, Ecstasy is perhaps the most popular and well-known. MDMA popularity emerged with the rave scene in the late 1990s and remains popular within the club/party scene.

Methylamine: Methylamine is a chemical used with MDP2P to synthesize MDMA. This chemical is not regulated under the Canadian Precursor Control Regulations and as such is not illegal to possess.

PCP: The acronym for phencyclidine, PCP is a very strong dissociative hallucinogen which inhibits pain receptors during periods of intoxication. PCP remains available in the Canadian illicit market however its popularity has diminished over the last decade or so.

Precursor Chemicals: A group of chemicals which are used in the production of synthetic drugs such as MDMA and methamphetamine, and are critical to the creation of these and other controlled substances.

