

# UNITED STATES - CANADA BORDER



# DRUG THREAT ASSESSMENT 2007



## **ACKNOWLEDGEMENTS**

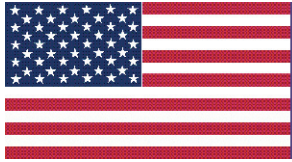
The Government of the United States and the Government of Canada jointly prepared this document with contributions from the following departments and agencies:

### **UNITED STATES**

Bureau of Alcohol, Tobacco, Firearms and Explosives  
Department of Justice  
Department of State, Bureau for International Narcotics and Law Enforcement Affairs  
Drug Enforcement Administration  
El Paso Intelligence Center  
Federal Bureau of Investigation  
National Drug Intelligence Center  
U.S. Coast Guard  
U.S. Customs and Border Protection  
U.S. Immigration and Customs Enforcement  
White House Office of National Drug Control Policy

### **CANADA**

Canada Border Services Agency  
Department of Justice Canada  
Financial Transactions and Reports Analysis Centre  
Department of Foreign Affairs and International Trade  
Health Canada  
Public Safety Canada  
Royal Canadian Mounted Police



# United States - Canada Border Drug Threat Assessment 2007

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## **U.S. DRUG SEIZURE STATISTICS**

U.S. seizure statistics were provided by the Department of Homeland Security, Customs and Border Protection (CBP). Statistics from CBP's Office of Field Operations reflect drug and currency seizures effected at U.S. Ports of Entry (POEs), and include directionality. Statistics from CBP's Office of Border Patrol reflect drug seizures effected between POEs as recorded by specific sectors and stations. Office of Border Patrol statistics pertaining to the U.S.-Canada border reflect seizures effected at a distance no greater than 150 miles from the border. All measurements noted in tons are equivalent to metric tons.

## **CANADIAN STATISTICS**

Canadian statistics were taken from the submission to the United Nations Annual Reporting Questionnaire (ARQ) which combines seizure data from the Royal Canadian Mounted Police, Canada Border Services Agency, and other Canadian law enforcement agencies.

March 2008  
DEA-08005



## ACRONYMS

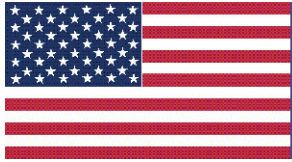
ATM	Automated Teller Machines
BEST	Border Enforcement Security Task Forces
CBCF	United States/Canada Cross-Border Crime Forum
CBP	United States Customs and Border Protection
CBSA	Canada Border Services Agency
CDN	Canadian currency
CDSA	<i>Controlled Drugs and Substances Act</i>
CICAD	Inter-American Drug Abuse Control Commission
CMEA	<i>U.S. Combat Methamphetamine Epidemic Act</i>
DEA	United States Drug Enforcement Administration
DFAIT	Department of Foreign Affairs and International Trade
DHS	United States Department of Homeland Security
DTO	Drug trafficking organization
EFT	Electronic Funds Transfer
EPIC	El Paso Intelligence Center
FinCEN	United States Financial Crimes Enforcement Network
FINTRAC	Financial Transactions and Reports Analysis Centre
FIU	Financial Intelligence Unit
GBL	Gamma-Butyrolactone
GHB	Gamma-Hydroxybutyrate
IBETs	Integrated Border Enforcement Teams
IBITs	Integrated Border Intelligence Teams
ICE	United States Immigration and Customs Enforcement
LSD	Lysergic acid diethylamide
MDMA	3,4-methylenedioxymethamphetamine (Ecstasy)
MSB	Money Services Business
NADS	National Anti-Drug Strategy
NDIC	United States National Drug Intelligence Center
OMGs	Outlaw motorcycle gangs
ONDCP	White House Office of National Drug Control Policy
PCMLTFA	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i>
PCR	Precursor Control Regulations
PSC	Public Safety Canada
PSE	Pseudoephedrine
PSP	Phencyclidine
RCMP	Royal Canadian Mounted Police
RCO	Regional Compliance Officers
SBIRT	Screening, Brief Intervention, Referral and Treatment Program
SVC	Stored Value Cards
THC	Delta-9-tetrahydrocannabinol
THG	Tetrahydrogestrinone
UNODC	United Nations Office on Drugs and Crime
USCG	U.S. Coast Guard
USG	United States Government



# United States - Canada Border Drug Threat Assessment 2007

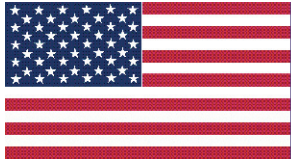
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**United States - Canada Border  
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## EXECUTIVE SUMMARY

The United States and Canada are firmly committed to the fight against illicit drugs and their two-way movement across our shared border. The strong relationship between our two governments, and in particular, our respective law enforcement agencies on this issue is a model of international cooperation.

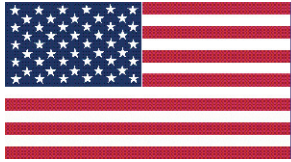
Since the last United States – Canada Border Drug Threat Assessment in 2004, our two countries have significantly enhanced bilateral cooperation on border security issues, including drug trafficking. Through successful binational fora such as the Cross-Border Crime Forum (CBCF) and Project North Star, the United States and Canada have increased intelligence-sharing and joint training opportunities for law enforcement officials. Investigative cooperation has also been expanded, through the establishment of new Integrated Border Enforcement Teams and notable enforcement initiatives such as Operation Sweet Tooth/Project O'Skillet and Operation Triple Play/Project O'Slider. The result: greater success in seizing illicit drugs crossing the U.S.-Canada border and apprehending those that traffic them.

Despite our best efforts, drug trafficking still occurs in significant quantities in both directions across the border. The principal illicit substances smuggled across our shared border are MDMA (*Ecstasy*), cocaine, and marijuana.

**MDMA** (*Ecstasy*) is increasingly being produced in Canada affording wide availability for both the Canadian and U.S. markets. Seizures of MDMA en route to the United States from Canada have risen fivefold, with U.S. Customs and Border Protection (CBP) reporting an increase from 1.1 million dosage units in 2004 to 5.2 million dosage units in 2006.

**Cocaine** also remains a drug threat to our two countries. The United States has become the primary transit country for cocaine entering Canada. About 40 percent of the seized cocaine intended for Canadian markets either transited or was intended to transit the United States. Cocaine enters both countries by a variety of routes originating in South America. The amount of cocaine destined for Canada seized by Canadian authorities at the U.S.-Canada border from 2004 to 2006 (1.6 tons) more than tripled the amount seized between 2001 and 2003 (496 kilograms).

**Marijuana** is the illicit drug most widely produced, trafficked, and consumed in both the United States and Canada. Seizures of marijuana destined for the United States from Canada have declined considerably with CBP reporting approximately 6 tons confiscated in 2006 compared to about twice that amount in 2004. However, Asian drug trafficking organizations (DTOs) in the United States, some with ties to Canadian DTOs, are among the diverse criminal groups producing increasingly potent marijuana at indoor sites. Grow operations have been observed in many U.S. regions: California, the Northwest and Northeast, in particular. The increase in indoor grows is not limited to individuals with a nexus to Canada; other independent groups operate in the United States, primarily Caucasian criminal groups that are particularly active in the Appalachian region.



Of continued concern in both the United States and Canada is the prevalence of **methamphetamine**. Strengthened Canadian Precursor Regulations governing the import and export of **precursor chemicals**, greatly reduced the cross-border trafficking of chemicals that can be used in the production of methamphetamine. However, methamphetamine production in Canada is on the rise. Thus far, cross-border smuggling of methamphetamine is limited. Effective U.S. legislation restricting the purchase of precursor chemicals resulted in a sharp decline of domestic methamphetamine production. Most methamphetamine consumed in the United States is now being manufactured in Mexico.

**Heroin** also poses a threat to the United States and Canada, but levels of cross-border trafficking are proportionately low. Heroin from South America and Mexico dominate U.S. markets, while Canada's heroin supply comes increasingly from Southwest Asia. Availability of South American and Mexican heroin in Canada has also risen steadily.

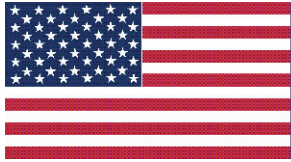
**Anabolic steroids** enter Canada principally from China, but the United States ranks second as a country of origin or transit.

There is relatively little cross-border **hashish** smuggling.

Traffickers of each of these illicit substances can be individuals, but are increasingly part of organized crime groups. Smugglers use a variety of conveyances, from personal vehicles to watercraft to commercial and private aircraft, to transport illicit drugs in both directions across our common border.

The problem of illicit drugs and their smuggling across our shared border will persist, as will the need for our countries to work together to combat it. Continual improvements in cooperation and information exchange between U.S. and Canadian law enforcement authorities will be essential in combating this mutual threat.





## BACKGROUND

The United States and Canada are bound together by a common border that stretches across 5,525 miles (8,891 kilometers) of land and water. Canada is the most important trading partner of the United States, accounting for almost 20 percent of all U.S. trade, and is the leading export market for 39 of 50 states. The United States is the leading export market for every Canadian province and accounts for over 78 percent of Canadian exports. In 2006, total two-way trade in goods between the United States and Canada equaled US\$534 billion. A secure and efficient border is critical to maintaining this high volume of trade while ensuring mutual economic growth and prosperity.

However, like all international boundaries, criminal elements exploit our shared border to profit from a variety of illicit activities, including the smuggling of drugs, firearms and explosives, money laundering, and human trafficking. Recognizing that public safety and economic security are mutually reinforcing, the United States and Canada are firmly committed to addressing transnational crime and border security issues. Both countries have identified the fight against illicit drug abuse, production, and trafficking as top priorities.

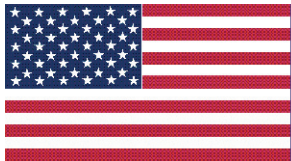
Cooperation between the law enforcement communities in the United States and Canada is effective across all jurisdictions. Work is ongoing through binational bodies such as the CBCF to enhance and expand intelligence sharing, investigative collaboration, and joint training opportunities. However, despite our best efforts, our two countries face a number of significant drug threats that require domestic and bilateral attention.

Our two countries may explore different domestic approaches to managing illicit drug issues; however, both recognize that they ultimately share the same objectives: to reduce the supply and consumption of illicit drugs and the serious consequences that they pose to our communities, particularly the most vulnerable population, our youth. As a result, the United States and Canada are united in their resolve to work together more closely toward these very important goals. The renewal of the United States – Canada Border Drug Threat Assessment is a testament to this mutual commitment.



**United States - Canada Border  
Drug Threat Assessment 2007**





## DRUG THREATS

### MDMA (*Ecstasy*)

#### SITUATION

Between late 2005 and 2006, Canada replaced the Netherlands and, to a lesser extent, Belgium as the primary supply source for *Ecstasy* destined for the U.S. illicit drug market. While the Netherlands and Belgium remain the primary source countries for MDMA (3,4-methylenedioxymethamphetamine) worldwide, their role as a source of supply for Canada and the United States has diminished in recent years. Historically, MDMA was most often manufactured in the Netherlands and Belgium, and shipped to the United States and Canada for further distribution. However, the *Ecstasy* situation in Canada has changed dramatically since 2003. Commencing in 2004, the number of MDMA shipments from Western Europe as well as the amount of *Ecstasy* seized at Canadian ports of entry began to decline and was almost nonexistent by 2006. During this same period, Asian trafficking groups began to manufacture MDMA on a large scale in Canada.

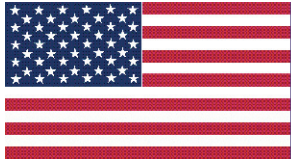
As a result of this shift, Canada emerged as the primary source of supply for MDMA to both the domestic and U.S. markets. Seizure statistics for MDMA at U.S. ports of entry bear out this trend. For the 2004-2006 period, CBP officials seized 8.96 million dosage units of MDMA along the U.S.-Canada border, almost all of which was destined for the United States. This was a notable increase over the 564,477 dosage units of MDMA seized from 2002 to 2003.



#### PRODUCTION

*Ecstasy* production has reached unprecedented levels of sophistication and capacity. British Columbia and Ontario continue to have the highest concentration of MDMA/MDA laboratories. The number of *Ecstasy* lab seizures in Canada rose significantly to 18 in 2004 from 12 in 2003 but showed a slight decline to 17 in 2005 and to 15 in 2006. Despite the decrease in lab seizures, all of the dismantled laboratories were classified as *super labs* and, in fact, several of these operations had factory-level production capacity. Pill presses that have been discovered at or destined for MDMA laboratories operating in Canada originated in China and in the United States. Both the production capacity levels noted at actual laboratories seized and intelligence point to a continuing surge in domestic manufacture. This is further supported by the advent of MDMA precursor chemical smuggling from China into Canada commencing in 2004.

MDMA producers and traffickers in Canada are known for their *Ecstasy* cocktail tablets containing multiple substances in addition to and occasionally absent of MDMA or MDA. Between 2003 and 2005, analyses of *Ecstasy* samples revealed mixtures including methamphetamine, ketamine, caffeine, pseudoephedrine (PSE), and ephedrine. Between 2005 and 2006, analyses continued to show the presence of cocktail mixtures. However, an increasing amount of methamphetamine, and sometimes only methamphetamine, was found in tablets purported to be *Ecstasy*. Law enforcement agencies in the United States have also reported the presence of methamphetamine in MDMA tablets, referred to as "dirty" MDMA. Drug Enforcement Administration (DEA) laboratory analysis has shown that seized MDMA is increasingly containing methamphetamine. Approximately 22 percent of the *Ecstasy* seized in 2003 contained methamphetamine compared to well over half in 2006.



Limited production of MDMA occurs in the United States; law enforcement officials dismantled 17 laboratories in 2004, 14 in 2005, and 17 in 2006. Most MDMA laboratories seized in the United States are only capable of producing small amounts of the drug.

The United States has regulations in place requiring the registration of pill presses; however, registration is not required in Canada. Notwithstanding, DEA regularly sends pre-export notifications to the Royal Canadian Mounted Police (RCMP) about pill presses and encapsulating machines shipped from the United States to Canada.

#### **CROSS-BORDER MOVEMENT AND TRAFFICKING**

MDMA seizures along the U.S.-Canada border destined for the United States have increased significantly in recent years. According to CBP officials, such seizures of MDMA dosage units totaled 1.1 million in 2004, 2.7 million in 2005, and 5.2 million in 2006.

Several significant seizures of MDMA occurred along the U.S.-Canada border in 2006. In March, CBP officials in Detroit, Michigan, seized 63 kilograms of MDMA powder, enough to produce 630,000 MDMA tablets, from a tractor-trailer arriving from Ontario, Canada. Also that month, CBP officers assigned to the Pacific Highway Port of Entry in Blaine, Washington, seized approximately 671,000 MDMA tablets (210 kilograms) and 375 kilograms of marijuana concealed in commercial cargo from a truck that originated in British Columbia. In July 2006, CBP officials arrested a Canadian citizen attempting to smuggle 61 kilograms of marijuana and 63 kilograms of MDMA (approximately 200,000 tablets) through the Fort Street Cargo Facility in

Detroit. Later, in October, based on information supplied by the RCMP and several DEA offices, U.S. Immigration and Customs Enforcement (ICE) officials seized 211 kilograms of MDMA (approximately 750,000 to 1 million tablets) from an Asian DTO attempting to smuggle the shipment via boat from Victoria, British Columbia, into Port Angeles on Washington State's Olympic Peninsula.

The total annual quantity of MDMA seized at Canadian ports of entry dramatically dropped to 1,623 dosage units in 2006 from 5.6 million in 2003. The decline reflects the fact that Canadian demand for MDMA is being met through domestic laboratories operated by organized crime groups. In 2004, seizures of imported *Ecstasy* shipments totaled just over 1 million dosage units. However, domestic lab seizures accounted for an estimated 15 million dosage units seized in Canada during that year. The same pattern occurred in 2005 and 2006. From 2004 to 2006, MDMA shipments that were smuggled into Canada largely originated in Western Europe, although small quantities also were smuggled in from China, Mexico, South America, and the United States.

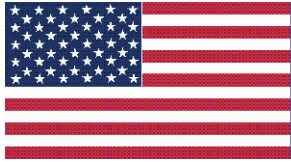
#### **CRIMINAL GROUPS AND ORGANIZATIONS**

Asian organized crime networks emerged in the global MDMA trade early in the millennium and expanded their activities at an alarming rate. In Canada, these groups are primarily composed of persons of Chinese descent who became involved in all dimensions of the trade, notably from importing MDMA-related precursor chemicals to MDMA production and its subsequent export. As of 2003, Asian crime networks had begun to dominate *Ecstasy* smuggling from Western Europe into Canada, then moved into large-scale domestic production and precursor chemical smuggling.



Asian DTOs, especially ethnic Chinese groups, have emerged as the dominant cross-border MDMA organizations, controlling production, trafficking, and financing. These Canada-based groups smuggle significant quantities of MDMA into the United States primarily via private and commercial vehicles. Indo-Canadian and Vietnamese crime groups, as well as independent drug traffickers, have also been linked to cross-border MDMA trafficking. In September 2005, the DEA office in Boston arrested nine individuals of Laotian descent (five were naturalized U.S. citizens, three were Canadian citizens, and one of unknown citizenship) following the attempted sale of 150,000 *Ecstasy* tablets. DEA has noted that Canada-based Asian groups have supplied *Ecstasy* to DTOs of Chinese, Vietnamese, and Laotian descent established and operating in California, Connecticut, Georgia, Illinois, Massachusetts, Michigan, Minnesota, New York, North Carolina, Pennsylvania, Tennessee, Texas, Washington, and Wisconsin.

From 2004 to 2006, Indo-Canadian as well as Asian crime groups operating in Canada also have been increasingly identified as transporters of *Ecstasy* and precursor chemicals from Canada to the United States. These groups have been active in polydrug smuggling often including *Ecstasy* and precursor chemicals (ephedrine) and/or marijuana shipments. Indo-Canadian crime groups are also known to exchange drugs and chemicals in the United States, then return to Canada with other drugs, such as cocaine, and firearms. To a lesser extent, Outlaw Motorcycle Gangs (OMGs) and criminal organizations still active in the MDMA trade in the United States between 2004 and 2006 include those with origins in Europe, Israel, the Caribbean, and South America.



## COCAINE

### SITUATION

**D**emand for powdered and crack cocaine remains stable in the United States and Canada with sustained availability. Most



of the cocaine destined for the United States is shipped via Central America and Mexico from source areas in South America. Although cocaine moves in both directions across the U.S.-Canada border, most smuggling activity is northbound. During the period of 2004 to 2006, CBP seized a total of only 34.7 kilograms of cocaine in 122 seizures that could be identified as destined for the United States, compared to a total of 72.3 tons of cocaine seized at all U.S. land borders during the same time span.

Cocaine enters Canada primarily through crossings along the U.S. border in British Columbia, Ontario, and Quebec, and is distributed nationwide. Crack cocaine is rarely smuggled into the country; cocaine is converted into crack once in Canada.

In Canada, a new practice has been observed in the last few years: the lacing of cocaine with methamphetamine. This development can be attributed to either cost-cutting measures by drug dealers or an attempt to hasten the rate of dependency of cocaine users.

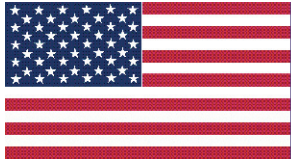
### PRODUCTION

Colombia is by far the largest source of coca in the world, but Peru and Bolivia also are significant source countries. Coca is not cultivated in the United States or Canada. Cocaine is produced in illicit laboratories that are primarily located in source countries.

### CROSS-BORDER MOVEMENT AND TRAFFICKING

Cross-border cocaine movement is typically northbound from the United States into Canada and, according to seizure data, is considerably greater than the amounts of cocaine seized by U.S. authorities in the opposite direction. From 2004 to 2006, CBP officials confiscated only 941 kilograms of cocaine in areas along the U.S.-Canada border, compared to a total of 72.3 tons of cocaine seized at all U.S. land borders during the same time span. Of the amount of cocaine seized at the U.S.-Canada land border, 64 percent (605 kilograms) was known to have been destined for Canada. Between 2004 and 2006, the U.S. Coast Guard (USCG) seized only 3 kilograms of cocaine along the U.S.-Canada maritime border, compared to 390 tons of cocaine the USCG confiscated on the high seas en route to the United States.

Cocaine destined for Canada originates in South America and is smuggled by way of land, sea, and air. During the three-year period of 2004 to 2006, Canada Border Services Agency (CBSA) seized 4.1 tons of cocaine at all ports of entry compared to 3.3 tons from 2001 to 2003; an increase of 24 percent. Consignments can transit one or more countries prior to entering Canada. The United States, the predominant country of transit for cocaine smuggled into Canada, accounted for 1.6 tons (40 percent) of the total amount smuggled during this period. This marked a substantial



increase over the 496 kilograms (15 percent) seized between 2001 and 2003. Virtually all the cocaine seized that transited the United States from 2004 to 2006 was smuggled via highway. A total of 1.25 tons was seized in the highway commercial stream and 363 kilograms from passenger vehicles. The remaining 7 kilograms were seized in a single enforcement action from an air passenger. Cocaine transiting the United States en route to Canada is generally shipped through the Caribbean and Mexico from the source areas.

Traffickers often transport cocaine from the United States to Canada along major highways from U.S. distribution centers located in Texas; Los Angeles and San Francisco, California; Denver, Colorado; Chicago, Illinois; Seattle, Blaine, and Yakima, Washington; and New York.

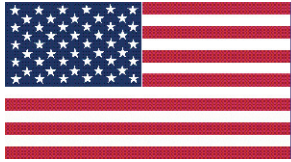
Traffickers then smuggle the cocaine into Canada through ports of entry located primarily in British Columbia and southern Ontario including Windsor, Sarnia, and Sault Ste. Marie. Due to successful enforcement in the Pacific region, drug smuggling activity has also partially moved eastward along the Alberta border.

Most of the cocaine seized at Canadian ports of entry has been found in hidden vehicle compartments. In July 2005, CBSA inspectors at the Pacific Highway commercial port of entry in British Columbia examined a tractor-trailer with Canadian license plates that was returning to Canada. They discovered a raised floor concealing about 27 kilograms of cocaine. In December 2005, a U.S. citizen, who wanted to enter British Columbia at the Douglas port of entry, was arrested after inspectors found about 29 kilograms of cocaine secreted in his vehicle. The largest cocaine seizure effected in the highway

passenger stream occurred in September 2006 at the Cascade, British Columbia port of entry, where 87.4 kilograms of cocaine were seized. The drugs were concealed within a compartment located under the bed liner of a pickup truck. The largest cocaine seizure effected in the highway commercial stream occurred in January 2006, when 126.4 kilograms of cocaine were seized from a tanker truck at the Canadian border in Aldergrove, British Columbia.

Although most seizures are effected at ports of entry, the border areas between these ports of entry are also vulnerable to smuggling activity. In August 2006, the RCMP notified CBP of a pickup truck that had crashed near Sumas, Washington, about 12 miles east of the Lynden (Washington) and Aldergrove (British Columbia) ports of entry. The RCMP arrested the vehicle's driver, a U.S. citizen. The CBP subsequently seized approximately 90 kilograms of cocaine that had been concealed in several large suitcases and duffel bags, inside the cargo area of the vehicle. The Integrated Border Enforcement Team (IBET) also monitors the regions between ports of entry and documents cocaine seizures. In October 2006, the IBET reported the seizure of 109 kilograms of cocaine from a fixed-wing aircraft that crashed near Vernon, British Columbia.

Cross-border smuggling of Canadian-grown marijuana into the United States in exchange for cocaine has been identified as an ongoing trend. Moreover, since cross-border smuggling often involves several commodities, Canadian reports indicate that polydrug shipments of Canadian-produced *Ecstasy* and marijuana are exchanged for cocaine, currency, and occasionally firearms that are to be transported back into Canada.



### **CRIMINAL GROUPS AND ORGANIZATIONS**

United States and Canada-based trafficking organizations are increasingly using the United States as a transit zone for cocaine destined for Canada. DEA investigations involving cross-border cocaine smuggling are significant in number and scope, spanning the U.S.-Canada border and several non-border states. Mexican, Colombian, and Dominican drug trafficking groups that dominate the U.S. wholesale cocaine trade, also supply Canadian drug trafficking organizations. DEA reporting generally indicates that Colombian and Dominican DTOs that distribute cocaine in the northeastern United States, also are cocaine sources for eastern Canada.

For example, one cocaine trafficking organization, based in Canada with ties to Colombia, also operated in the greater New York area. Some members of this group are currently incarcerated in Canada for the murder of a one-time colleague. This group had cocaine flown from Colombia to Mexico and then had it smuggled overland to Texas. The cocaine was stored there prior to delivery to a Dominican DTO in New York. Monthly, Canadian nationals drove to New York, met their contacts, and returned to Toronto with 100 to 150 kilograms of cocaine.

Similarly, since Mexican DTOs control wholesale cocaine distribution in the western United States, trafficking routes often flow northward to British Columbia. U.S. law enforcement authorities have identified Mexican DTOs based in California and Washington State that smuggle cocaine from Mexico through the United States, then onward to Canada. Some of these organizations transport multihundred kilograms of cocaine. For example, one organization based in Mexico, with contacts in California, smuggled multihundred-kilogram shipments of cocaine from Mexico. Once the cocaine reached

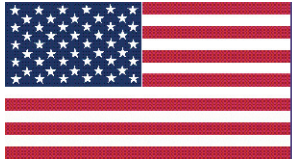
California, it was sold to both U.S. and Canadian customers. One shipment destined for Canada was seized in early December 2006, in Ontario, California. Authorities arrested the Canadian driver of a tractor-trailer after a search of the vehicle uncovered 50 kilograms of cocaine and US\$30,000.

Many criminal organizations in Canada have some level of involvement in the cocaine trade due to its profitability and continuing high demand. These groups are often involved in the cross-border movement of cocaine purchased from U.S.-based brokers. They will typically contract out the transportation of cocaine to other organized crime groups, individual couriers, truck drivers, trucking companies, or small aircraft pilots. In March 2006, for example, 144 kilograms of cocaine were seized in Eureka, California, from a small twin-engine aircraft en route to British Columbia from Los Angeles.

Some Canadian criminal organizations include an American component, which facilitates the exchange of Canadian-produced marijuana for cocaine from U.S.-based suppliers. In May 2006, the Toronto Police Service (Project Masdinero) and RCMP (Project Oshy) targeted and dismantled a multimillion dollar cross-border marijuana and cocaine smuggling ring. Arrests were made in Canada (British Columbia and Ontario) and the United States (Florida and Michigan). Cocaine worth an estimated CDN\$1.5 million and marijuana worth CDN\$3.6 million were seized along with CDN\$400,000 in currency.

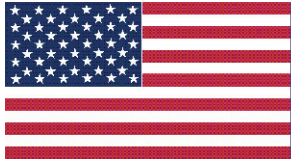
Asian organized crime groups operating in Canada, prominent in marijuana grow operations and cross-border marijuana smuggling to the United States, are increasingly "reinvesting" their illicit proceeds into other illegal activities, such as purchasing cocaine in the United States and then





smuggling it into Canada. Either the cocaine is purchased with the proceeds from the marijuana and/or MDMA sales, or actually may be bartered. Ratios for drug exchanges vary a great deal according to the trafficking organization and the quantities involved. Other Asian DTOs operate differently. Some of those based on the U.S. west coast purchase cocaine directly from suppliers in Mexico and Central America then smuggle multihundred kilograms to Canada using long haul tractor-trailers.

The strong presence of Indo-Canadian criminal groups in the Canadian trucking industry has resulted in reported cases of their involvement in cross-border smuggling of polydrug shipments, including marijuana, to the United States and returning to Canada with cocaine, proceeds of crime, and firearms.



## MARIJUANA

### SITUATION

Marijuana is the most widely produced, trafficked, and consumed illicit drug in the world, a trend reflected in both the United



States and Canada. Demand for high-potency marijuana has burgeoned as advances in indoor-grow technology have made it more available.

In Canada, marijuana trafficking generates enormous profits for organized crime. This remains true despite the 4 percent decrease in cannabis-related offenses noted in the *Crime Statistics in Canada 2006* report.

Although an increasingly significant amount of the marijuana produced in the United States and Canada is intended for our respective domestic markets, cross-border smuggling remains a concern for both countries. Mexico remains the primary foreign source of marijuana for the domestic U.S. market. While some marijuana is smuggled into Canada, the flow is predominantly southbound to the United States. When placed in the context of amounts of marijuana seized within 150 miles (240 kilometers) of all U.S. land borders, only 2.6 percent of the total amount seized from 2004 to 2006 by CBP was seized along the U.S.-Canada border.

### PRODUCTION

Throughout the United States and Canada, cannabis cultivation is an evolving and thriving

industry. Although outdoor cultivation continues to be a concern for both countries, indoor grow operations are increasingly prevalent on both sides of the border. This may account for the substantial 50 percent decrease in Canadian-produced marijuana seized at the U.S.-Canada border. In 2004, CBP seizures totaled approximately 12 tons; in 2006 the amount was about 6 tons. The USCG seized 313 kilograms of marijuana along the maritime U.S.-Canada border from 2004 to 2006.

Cannabis cultivation in the United States is particularly widespread in the states of California, Kentucky, Tennessee, Hawaii, and Washington. According to the DEA Domestic Cannabis Eradication and Suppression Program data, the number of indoor and outdoor cultivated cannabis plants eradicated increased from 3.2 million in 2004, to 4.2 million in 2005, to 5.2 million in 2006. While the number of cannabis plants grown indoors accounted for roughly 7 percent of the total number of plants eradicated during this three-year period, the number of plants seized from indoor grow sites nearly doubled from 203,896 in 2004 to 400,892 in 2006. Increasingly potent marijuana from indoor grows is of particular concern in California, Washington, Florida, Hawaii, and New Hampshire.

The size and sophistication of indoor-grow operations across the United States ranges from a few plants grown in a closet, to criminal organizations' installations of several thousand plants. In August 2006, law enforcement personnel from the DEA Sacramento District Office and the Elk Grove (California) Police Department seized 14 indoor grows and 10,000 cannabis plants from homes in the area. This Asian organization had set up sophisticated lighting, water irrigation, ventilation, and air



filtration systems in each house. Electricity to each home had been rewired to bypass the electrical meter.

Marijuana production in Canada continues to be an evolving industry given the broad appeal of this lucrative business to all levels of organized crime groups. Indoor and outdoor grow operations continue to be established in urban and rural settings as property is purchased for the sole purpose of cultivating cannabis. While seizures reflect outdoor production in eastern Canada, western Canada, particularly British Columbia, favors indoor production.

Annual Canadian marijuana production is estimated to range from 1,399 to 3,498 tons. Production continues to be predominant in Quebec, Ontario, and British Columbia, where a significant decline in grow operations has been documented since 2003 due to increased enforcement and effective partnerships

with governmental and non-governmental organizations. Small and large grow operations are also occasionally seized in other regions across Canada. According to RCMP seizure data, 1,548,303 marijuana plants were seized in 2004; 2,055,715 in 2005; and 1,749,057 in 2006.

In July 2005, one of the largest grow operations in Ontario was seized. More than 21,000 plants were found on a farm near Iroquois Falls, east of Timmins.

#### **CROSS-BORDER MOVEMENT AND TRAFFICKING**

While most cannabis cultivated in both the United States and Canada is produced to support domestic demand, cross-border distribution remains a concern. Although high-potency marijuana is increasingly being produced in the United States by groups of various ethnic backgrounds, most of the marijuana seized at U.S. ports of entry along the U.S.-Canada border is derived from cannabis plants with high THC content grown in Canada.

#### **THE LYNDEN/ALDERGROVE TUNNEL**

*While drug tunnels have been used for decades to smuggle drugs across the U.S.-Mexico border, the Lynden/Aldergrove tunnel is strategically significant as it was the first tunnel discovered between the United States and Canada.*

*A five-month investigation led by the Combined Forces Special Enforcement Unit in British Columbia along with other Canadian and U.S. law enforcement partners shut down the tunnel in June 2005. The tunnel, which linked property in Lynden, Washington, and Aldergrove, British Columbia, was approximately 360 feet (100 meters) long with a depth ranging between 3 to 10 feet (1 to 3 meters). It was reinforced with both iron rebar and 2 x 6 inch (5 x 15 centimeter) wooden supports.*

*Three Canadian marijuana traffickers were arrested, convicted, and sentenced to nine years of imprisonment in the Western District of Washington for transporting about 91 kilograms of marijuana through the tunnel into the United States, and US\$40,000 to US\$50,000 in drug proceeds into Canada. U.S. authorities subsequently seized the marijuana.*



## MARIJUANA THC CONTENT

*A comparison of delta-9-tetrahydrocannabinol (THC) levels (the psychoactive chemical) in U.S.- and Canadian-produced marijuana is problematic because each country collects the data differently:*

*U.S. officials classify seized marijuana samples in three ways: 'ditchweed', which is very low quality marijuana and includes cannabis growing wild and hemp; 'commercial-grade', which includes buds, leaves, stems, and seeds from male and female plants; and, 'sinsemilla,' which consists of only the unpollinated flowering tops of female plants. Commercial-grade marijuana produced in the United States and Mexico is the most prevalent type of marijuana available throughout the United States. Sinsemilla, which is much higher in potency than commercial-grade marijuana given its composition, follows commercial-grade marijuana in prevalence and commands a higher price.*

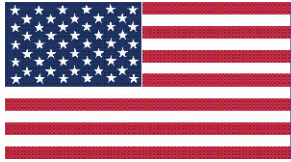
- In the United States, marijuana exhibits seized by local, state, and federal authorities, as well as samples eradicated, are submitted for potency analysis to the National Institute on Drug Abuse-sponsored Potency Monitoring Program conducted by researchers at the University of Mississippi.*
- In Canada, marijuana exhibits are submitted for THC analysis for court purposes and are comprised almost exclusively of the flowering heads or buds of the female cannabis plant, which in the United States would be classified as sinsemilla. Canada tests all marijuana but does not classify it by type.*

*Keeping these analytical differences in mind, the average THC content of all submitted U.S. samples of commercial-grade marijuana (excluding ditchweed and sinsemilla) from both domestic and foreign sources was 5.38 percent in 2004, 5.25 percent in 2005, and 5.59 percent in 2006. The average THC content in submitted samples of sinsemilla from both domestic and foreign sources was 11.87 percent in 2004, 11.62 percent in 2005, and 11.21 percent in 2006.*

*The average THC content of marijuana analyzed in Canada continued its rise in 2006. THC content of samples analyzed in 2004 was 9.78 percent, followed by 9.96 percent in 2005, and 10.25 percent in 2006.*

*Both Canada and the United States continue to record abnormally high levels of THC in a limited number of samples, demonstrating that growers in both countries have the capability of producing high-potency marijuana. The highest THC level analyzed in Canada was 38 percent and came from a 2004 sample. The highest THC level analyzed in the United States was 33 percent from a 2006 sample.*

*Levels of THC in marijuana produced in Canada and the United States have increased over the last decades. The increasing average potency of marijuana is a concern for both countries and potentially raises a heightened risk of marijuana use and dependence. Further studies would likely be required to confirm the impact of high-potency marijuana on abuse rates.*



Marijuana smuggling occurs both through and between ports of entry using passenger vehicles and commercial tractor-trailers fitted with concealed compartments, various kinds of watercraft on lakes and rivers, and in more remote areas, snowmobiles, all-terrain vehicles, helicopters, and small aircraft including float planes.

In April 2006, for example, U.S. authorities at the Blaine, Washington, Pacific Highway truck crossing seized 817 kilograms of Canadian-grown marijuana from a commercial tractor-trailer attempting to enter the country from Canada. The marijuana was concealed inside a cargo of plastic pipes.

In 2006, Canadian law enforcement agencies witnessed an increase in the use of small private aircraft by Canada-based organized crime groups to smuggle marijuana into the United States. In June 2006, Canadian and U.S. enforcement officers dismantled a major cross-border drug smuggling group based out of British Columbia in Operation Frozen Timber, a multi-agency effort spearheaded by ICE and the RCMP. Public lands throughout the region, including locations in the Mount Baker-Snoqualmie and Okanogan National Forests, and North Cascades National Park, were used as drop-off points for marijuana and pickup points for cocaine, both delivered by private helicopters. The investigation resulted in the seizure of 3,640 kilograms of marijuana, 365 kilograms of cocaine, 3 aircraft, and US\$1.5 million. More than 45 individuals were arrested in Canada and the United States in connection with this investigation.

In another instance, ICE agents in May 2006 seized approximately 159 kilograms of Canadian-grown marijuana and arrested two individuals after two witnesses reported seeing a helicopter land at a gravel pit located north of Blue Lake, in the Sinlahekin Valley of Okanogan County,

Washington. The witnesses observed the marijuana being unloaded from the helicopter and placed into a pickup truck.

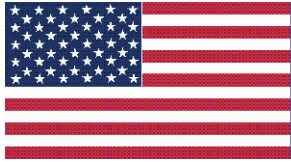
Primary U.S. market areas where Canadian-produced marijuana can be found include Chicago, Los Angeles, San Diego, New York, Detroit, and Seattle.

Although cannabis cultivated in Canada is widely available for the domestic market, it is also smuggled into the country from foreign sources. From 2004 to 2006, seizures effected at Canadian ports of entry totaled 2.4 tons of marijuana. Of this quantity, 52.9 kilograms (2.2 percent) either transited, or originated in, the United States. The bulk of the quantity seized (85.3 percent) originated in Jamaica.

#### **CRIMINAL GROUPS AND ORGANIZATIONS**

Although Mexican DTOs are the principal suppliers of foreign marijuana to the United States, organized crime groups in Canada also supply Canadian-grown marijuana. Exercising control over production in Canada, they finance smuggling ventures to niche markets in the United States where Canadian marijuana is in demand and commands a high price. Many of these groups traffic several types of drugs. Of particular interest is the increase in the exchange of illicit drugs. There is evidence that the proceeds generated from the sale of Canadian-produced marijuana in the United States are sometimes used to finance other illicit activities, such as the purchase of cocaine, other drugs, and firearms which are then smuggled northbound into Canada.

Asian organized crime groups in Canada that specialize in the indoor cultivation of cannabis play the most prominent role in supplying large quantities of marijuana to the United States. DEA and RCMP reporting indicates that Vietnamese and other Asian



criminal organizations pose the greatest threat of marijuana smuggling across the U.S.-Canada border. Vietnamese DTOs most commonly use tractor-trailers or large trucks to transport bulk shipments of Canadian-produced marijuana across the U.S.-Canada border. Indo-Canadian brokers with contacts in the trucking industry often arrange transport to the United States for Vietnamese criminal organizations and independent marijuana producers.

Although Cambodian, Laotian, and Thai criminal organizations are prevalent in marijuana trafficking in certain parts of the United States, no one Asian group controls nationwide wholesale importation and distribution. Vietnamese DTOs in the United States remain the principal Asian group responsible for trafficking high-potency marijuana.

While diverse trafficking groups cultivate cannabis in the United States, Asian DTOs involved in the Canadian marijuana trade have begun to establish grow sites in several parts of the United States introducing indoor cultivation methods and techniques to criminal associates. In early 2007, the DEA Seattle Field Division, the Internal Revenue Service, and the King County Sheriff's Office (Washington State) culminated a lengthy investigation into a Vietnamese DTO responsible

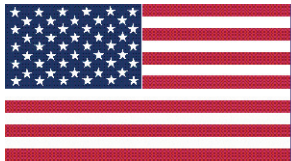
for setting up indoor marijuana grows in several residences. Those arrested from January to March included eight U.S., four Canadian, and two Vietnamese citizens. All of these individuals were born in Vietnam.

U.S.-based Vietnamese DTOs in particular, some with links to Canada, are establishing marijuana-related businesses and cultivation sites. DEA reporting notes the presence of these Asian groups in Washington, California, Pennsylvania, Connecticut, New York, and Maryland. These DTOs often purchase homes in suburban neighborhoods to set up high-potency indoor grow operations following a pattern already noted in Canada. They provide subject matter expertise to novice growers and introduce them to technologically advanced cultivation methods that produce marijuana with elevated THC levels. Materials from Canada, such as ballasts, air filters, and fertilizer, in addition to marijuana seeds, have been uncovered at U.S. indoor grow locations.

#### ***ST. REGIS MOHAWK RESERVATION/AKWESASNE MOHAWK RESERVE***

*The St. Regis Mohawk Reservation in the United States and the adjoining Akwesasne Mohawk Reserve in Canada straddle the international border across two New York counties and the Canadian provinces of Quebec and Ontario. The geography lends itself to cross-border smuggling as densely wooded terrain and extensive waterways along the St. Lawrence Seaway shroud the movement of illicit drugs and other contraband.*

*Multikilogram quantities of Canadian-produced marijuana that transit the reservation are taken to cities in northern and central New York for further distribution. Bulk currency, the proceeds of marijuana sales, then flows back through the reservation to Canada. Between 2004 and 2006, DEA offices in Albany and Plattsburgh, New York, conducted investigations leading to the seizure from the reservation of more than US\$7.5 million in cash, and vehicles worth more than US\$1 million.*



## METHAMPHETAMINE

### SITUATION

Methamphetamine is a particularly dangerous stimulant drug with a high potential for abuse and dependence. In Canada, methamphetamine has emerged as



a significant drug threat over the last several years. The resurgence in the drug's use, trafficking, and production is being felt throughout the country. In August 2005, the Canadian government responded to these concerns by reclassifying methamphetamine to Schedule I from Schedule III of the *Controlled Drug and Substances Act* (CDSA). Methamphetamine is now considered as a higher threat substance subject to increased penalties for production, possession, and trafficking offenses.

Law enforcement reports indicate that some cross-border smuggling of methamphetamine occurs in both directions across the border, but is limited.

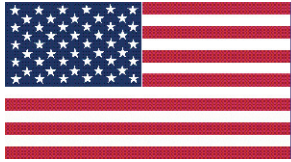
### PRODUCTION

Methamphetamine is manufactured in clandestine laboratories with various production capacities, using precursor chemicals obtained through illegal means. The drug can be produced by extracting ephedrine or PSE from medications that, until recently, could be purchased over-the-counter in local stores or via the Internet.

The U.S. *Combat Methamphetamine Epidemic Act* (CMEA) of 2005 contains a number of important provisions to combat the illicit manufacture of and

trafficking in methamphetamine. (See Precursor Chemicals.) In addition, individual states have enacted complementary legislation on precursor controls. These legislative measures restricting the purchase of precursor chemicals have proven effective, resulting in a sharp reduction of domestic methamphetamine production. This precipitous drop is evidenced by the decreasing number of methamphetamine laboratories dismantled. Data from the El Paso Intelligence Center (EPIC) indicate that in the United States, the number of small toxic laboratories seized - capable of producing no more than 500 grams of methamphetamine in a production cycle - dropped from 10,241 in 2003 to 3,395 in 2006. The number of *super labs* seized - capable of producing 5 kilograms or more in a production cycle - also plummeted from 130 in 2003 to 16 in 2006. Most domestic methamphetamine production occurs in the western and central states. Mexico has become the principal foreign source of methamphetamine available in the United States as significant production has since shifted south of the border.

Methamphetamine for Canada's market continues to derive predominantly from domestic laboratories. Since 2003, traffickers have smuggled domestically-produced methamphetamine to markets in Asia. The flow of Canadian-produced methamphetamine to the United States, however, is limited. The number of methamphetamine laboratories dismantled by Canadian authorities reached 40 in 2004, but then subsequently declined to 29 in 2005 and to 21 in 2006. Notwithstanding the decrease in the number of methamphetamine lab seizures, the actual number of *super labs* located in both western and eastern Canada has actually increased.



### **CROSS-BORDER MOVEMENT AND TRAFFICKING**

Law enforcement reports indicate that limited methamphetamine smuggling occurs in either direction across the border. On occasion, traffickers do attempt to smuggle methamphetamine into the United States. For the 2004-2006 period, CBP officials seized 26.9 kilograms of methamphetamine, and 10.8 kilograms of crystal methamphetamine along the U.S.-Canada border. Of that amount, at least 21 kilograms of methamphetamine were destined for the United States. Of particular significance was the seizure in May 2005 of approximately 8 kilograms of *Ice*, the crystallized form of methamphetamine, confiscated at the Peace Arch Port of Entry in Blaine, Washington, from a rental van bearing California license plates. It is believed that the shipment was transiting the Pacific Northwest en route from British Columbia for distribution in California.

During 2006, Canadian authorities arrested 11 Canadians in New Brunswick and Quebec who were members of a polydrug ring smuggling MDMA, methamphetamine, and marijuana into Maine for distribution in Boston, New York, and Philadelphia. The MDMA and methamphetamine were allegedly produced in Quebec laboratories connected to the Hells Angels Motorcycle Club, a group which has been the subject of many successful enforcement efforts. The methamphetamine tablets were being marketed as *Ecstasy*. The RCMP in New Brunswick seized 12,000 *Ecstasy* tablets and nearly 100,000 methamphetamine pills, being marketed to a U.S. buyer as *Ecstasy*.

Northbound border seizures of methamphetamine remain at a relatively low level. Between 2004 and 2006, 565 methamphetamine pills and

approximately 5 kilograms of methamphetamine in either liquid or powder form were seized at Canadian ports of entry, a decrease from the period of 2001 to 2003. Of these amounts, all the pills and 1.7 kilograms of powder or liquid methamphetamine either originated in or transited the United States. All border seizures of methamphetamine coming through the United States into Canada were effected at land border crossings or at Canadian airports. The largest single seizure of this reporting period occurred at Vancouver International Airport in January 2004, involving the seizure of 1 kilogram of methamphetamine from a courier shipment originating in Texas.

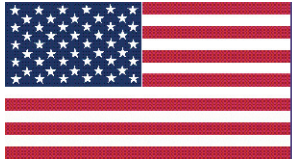
### **CRIMINAL GROUPS AND ORGANIZATIONS**

Criminal groups, based in Mexico, are now the primary source for methamphetamine and *Ice* in the United States. These DTOs make full use of their extensive distribution networks to reach the addict on U.S. streets. It does not appear, however, that methamphetamine produced in the United States or Mexico is being smuggled to Canadian drug markets.

OMGs in the United States continue to be involved in methamphetamine manufacture and distribution, although in some areas they now obtain their methamphetamine from Mexican traffickers.

In Canada, organized crime interests in the methamphetamine trade have grown significantly since 2003. In addition to the long-standing involvement of OMGs in methamphetamine production and trafficking, independent groups also are active across the country. Such groups operating in the Quebec region continue to specialize in producing methamphetamine tablets for the regional market as well as elsewhere in Canada. Tablets are also believed to be





circulating in the U.S. illicit drug market. In western Canada, Aboriginal street gangs are active in methamphetamine trafficking in both urban centers and in their communities, while Asian criminal networks have become increasingly involved in the trade, mainly in British Columbia, Alberta, and Ontario. While Mexican organizations hold a monopoly on large-scale methamphetamine production for the U.S. illicit drug market, there is evidence of their possible infiltration into the Canadian market. In June 2006, a meth super lab discovery in rural Ontario resulted in the seizure of 30 kilograms of finished methamphetamine powder and an additional 25 kilograms of methamphetamine in crystallized form. A Mexican national, implicated in this operation, was believed to have been there demonstrating and instructing on how to run a large-capacity laboratory.

Organized crime in Canada also has exploited the addictive properties of methamphetamine as a means to market other synthetic substances. Since 2003, methamphetamine, among other substances, has been a secondary ingredient in *Ecstasy* tablets produced in domestic clandestine laboratories. The lacing of other drugs such as cocaine, marijuana, and heroin with methamphetamine, to either cut costs or possibly accelerate addiction, was observed between 2004 and 2006. DEA also notes that in recent years the number of DEA-analyzed MDMA exhibits containing methamphetamine has grown significantly, from less than 1 percent in 2000 to more than half in 2006. The increased presence of methamphetamine in MDMA seized in the United States may correspond to the upsurge in Canadian MDMA manufacture and export.



## PRECURSOR CHEMICALS

### SITUATION

Synthetic drug producers require a continuous supply of precursor chemicals. Ephedrine is in the greatest demand as it is a primary precursor for methamphetamine.



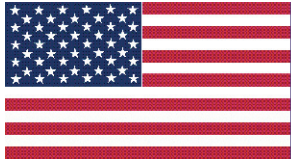
In January 2003, Canada implemented Precursor Control Regulations (PCRs) to respond directly to the increasing diversion of precursor chemicals to clandestine synthetic drug laboratories. The regulatory framework addresses the cross-border trafficking of precursor chemicals by requiring a license and a permit for all imports and exports of Class A precursor chemicals, which include PSE, ephedrine, 3,4-methylenedioxyphenyl-2-propanone (also known as MDP2P or PMK and used in the manufacture of MDMA), and other precursor chemicals used to produce illicit synthetic drugs.

The Canadian PCRs implemented in 2003 have had a significant impact on reducing chemical diversion activity both within Canada and from Canada to the United States. Effective January 31, 2006, Canada amended the PCRs to strengthen the regulatory framework and to add six new chemicals to the Class A precursor list: gamma butyrolactone (GBL - for the manufacture of GHB), 1,4 butanediol (for the manufacture of GHB and also used alone as a recreational drug similar to GHB), and hydriodic acid, red and white phosphorous, and hypophosphorous acid

(for the manufacture of methamphetamine). As domestic restrictions on the sale and distribution of precursor chemicals have fallen into place over the last several years, drug traffickers have increasingly turned to international sources for supplies. From 2004 to 2006, the most frequently smuggled precursor chemicals from international sources into Canada for use in clandestine synthetic drug laboratories were ephedrine and MDP2P or PMK.

The CMEA of 2005 imposes nationwide controls on methamphetamine precursors. Primary elements of this legislation include provisions affecting foreign manufacturers and importers of these products. Criminal penalties have been increased for the illicit manufacture of, trafficking in, and smuggling of methamphetamine. In addition, CMEA restricts the sale of medicines containing PSE, ephedrine, and phenylpropanolamine. These products must be kept behind a store counter or in a locked area, requiring purchasers to show identification and sign a transaction logbook, and limiting individual purchases to 3.6 grams daily and 9 grams monthly. Thus, illicit producers' access to over-the-counter precursor chemicals has been significantly curtailed. Moreover, nearly all the states have passed measures establishing or enhancing restrictions on over-the-counter sales of products.

In April 2006, Canada's National Association of Pharmacy Regulatory Authorities (NAPRA) amended the National Drug Schedule to restrict the sale of single entity PSE and ephedrine products. These products can only be accessed behind pharmacy counters; and multiple ingredient PSE and ephedrine products can only be purchased at stores where a pharmacist is available for consultation. Eight provinces in Canada subsequently amended their provincial



drug legislation to incorporate these restrictions, resulting in the removal of these products from grocery and convenience stores. Further to a recent legal challenge, however, the Ontario Superior Court of Justice ruled that the NAPRA restrictions were of no force and effect in Ontario because the Ontario Ministry of Health had failed to reclassify PSE when it moved to amend the *Drug and Pharmacies Regulation Act* in 2006.

The implementation of U.S. federal and state legislation, the 2003 Canadian Precursor Regulations, together with U.S. and Canadian law enforcement efforts, have substantially reduced the trafficking of these precursor chemicals.

### PRODUCTION

Precursor chemicals are produced in several nations throughout the world, however, neither the United States nor Canada produce significant quantities of precursors needed in the manufacture of illicit synthetic drugs.

There is no ephedrine production in the United States or Canada. These chemicals are produced in China, India, and Germany. Both the United States and Canada use the bulk materials to manufacture pharmaceuticals, cleaning solvents, fragrances, and paint. The main supply sources for ephedrine smuggled into Canada for methamphetamine production are China and India.

MDP2P is produced mainly in China and in smaller quantities in Eastern Europe. China is the primary source country for MDP2P smuggled into Canada. In 2006, illicit imports of GBL (the GHB precursor) into Canada were linked to China and the Netherlands.

### CROSS-BORDER MOVEMENT AND TRAFFICKING

Precursor chemical brokers and methamphetamine producers in Canada increasingly divert precursors directly from sources in supplier countries – primarily China and India – and smuggle them into western Canada, rather than diverting them from legitimate suppliers in Canada. Canada-based Asian organized crime groups responsible for methamphetamine and MDMA production in Canada may be involved in the movement of ephedrine to the United States. Seizures of these precursors at U.S. ports of entry continue to occur, albeit sporadically. During the 2004-2006 period, CBP officials along the U.S.-Canada border seized 75.87 kilograms of precursors other than ephedrine, and just over 2 tons of ephedrine destined for the United States.

From 2004 to 2006, 12,820 liters of MDP2P were seized at Canadian ports of entry, smuggled via maritime cargo originating in China. One case involved the smuggling of a precursor chemical from the United States into Canada. In June 2006, approximately 21 kilograms of phenylacetic acid (used to manufacture P2P, a precursor chemical used in the production of methamphetamine) were seized at the Vancouver International Airport from a courier shipment that originated in Houston, Texas.

During this same time frame, a total of 120,000 tablets and 1.7 tons of ephedrine were seized at Canadian ports of entry. Of these quantities, 63,400 doses (53 percent) and 4.1 kilograms (less than 1 percent) of ephedrine transited the United States. Most of these chemicals were smuggled either by couriers or through the postal system. The largest seizure involving ephedrine transiting the United States occurred in June 2004 at the Hamilton, Ontario International Airport, where 12,000 ephedrine tablets were seized from a courier shipment originating in Kentucky and destined for Cornwall, Ontario.



### *CRIMINAL GROUPS AND ORGANIZATIONS*

Criminal groups in the United States obtain precursor chemicals—including ephedrine and PSE in tablet, powder, and liquid forms—for methamphetamine production in the United States and Mexico. In the last three years, precursor chemical smuggling from Canada has diminished. No single group dominates ephedrine or PSE trafficking in the United States.

Chemical smuggling from Canada to the United States still occurs albeit to a lesser extent. Between 2004 and 2006, independent, Indo-Canadian, and Asian criminal networks emerged as predominant groups involved in chemical trafficking for the purpose of clandestine synthetic drug manufacture. The dismantling of an independent crime group operating in Winnipeg, Manitoba, in 2004 disrupted a significant source for ephedrine smuggled both within and from Canada to the United States. This group was diverting vast amounts of ephedrine to California as well as to Alberta and British Columbia.



## HEROIN

### SITUATION

**H**eroin, a highly addictive substance, is the most widely abused of the opiate drugs. Smuggling occurs in both directions across



the border, but this accounts for only a very small portion of the heroin consumed in either country. Vancouver, Toronto, and Montreal are the major ports of entry for heroin smuggled into Canada.

South American heroin dominates the U.S. market east of the Mississippi River, while Mexican heroin prevails west of the river. Southwest Asian heroin is seen to a limited extent in the United States. In Canada, heroin originating from Southwest Asia, South America, and Mexico is supplanting the supply of heroin from Southeast Asia, which has significantly decreased. From 2004 to 2006, Southwest Asian heroin dominated the Canadian market, while the presence of heroin from South America and Mexico also rose steadily.

### PRODUCTION

Heroin, refined from opium, is produced in four source regions: Southwest Asia (primarily Afghanistan), Southeast Asia (primarily Burma and Laos), South America (primarily Colombia), and Mexico. According to the *2007 World Drug Report*, poppy cultivation in the Golden Triangle has fallen approximately 80 percent since 2000. At the same time, there has been a massive increase in poppy cultivation in Afghanistan: between 2000 and 2006, Afghanistan's share of world heroin production increased to 92 percent from 70 percent.

### CROSS-BORDER MOVEMENT AND TRAFFICKING

An estimated 13 to 18 tons of heroin is consumed in the United States annually. Most of this amount enters the country from South America and Mexico. Considerably smaller quantities of Southeast and Southwest Asian heroin often transit Europe or Africa before reaching the United States. A minimal amount of Asian heroin transits Canada en route to the United States. Of the 1.86 tons of heroin seized at all U.S. borders in 2004, 1.65 tons in 2005, and 1.72 tons in 2006, CBP authorities confiscated only 4.5 kilograms of heroin entering from Canada during that same time frame.

The share of the Canadian heroin market held by Southeast Asian heroin has declined considerably since 2000, when it accounted for 93 percent of the total amount of heroin seized. Meanwhile, the percentage of the Canadian market held by Southwest Asian and Latin American heroin has increased considerably in recent years.

From 2004 to 2006, Canadian authorities seized a total of 204.1 kilograms of heroin at Canadian ports of entry. Of this quantity, 148.5 kilograms (72.8 percent) originated in Southwest Asia, while 42.3 kilograms (20.7 percent) originated in either South America or Mexico. Southeast Asian heroin totaled 7.9 kilograms (3.9 percent). Heroin transiting the United States totaled 4.2 kilograms (2.8 percent of the total quantity seized). Heroin trafficked into Canada via the United States during this time frame was smuggled primarily aboard commercial aircraft and in private automobiles. The largest such seizure occurred in July 2004 at Pearson International Airport in Toronto, where 1.4 kilograms of heroin were seized from the cargo hold of an American Airlines flight arriving from Miami.

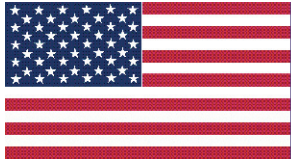


## CRIMINAL GROUPS AND ORGANIZATIONS

In the United States, Colombian and Dominican traffickers dominate heroin trafficking in New York City, the major East Coast distribution center for South American heroin. Traffickers in New England and other eastern states such as New Jersey, Pennsylvania, and Maryland usually obtain their heroin supplies from sources in New York City. In Chicago, Illinois, which has a serious heroin abuse problem, Colombians and Mexicans are primary suppliers of the narcotic. In the western portion of the country, Mexican polydrug DTOs control heroin distribution.

Prior to 2003, Southeast Asian organized crime groups dominated the heroin trade in Canada. While these groups continue to be involved in the importation and distribution of Southeast Asian heroin, especially on Canada's west coast, their activity in the Canadian heroin market has declined in favor of the production and trafficking of synthetic drugs, particularly *Ecstasy*, and marijuana.

At the same time, heroin originating from Southwest Asia and Latin America has become more available as evidenced by an increase in seizures at Canadian ports of entry. Southwest Asian and Latin American organized crime groups operating in Canada have taken over the Canadian heroin market. These groups have become the focus of most heroin importation/trafficking investigations in Canada since 2004. For example, Indo-Canadian organized crime groups operating in Canada have seized the opportunity to import from India to British Columbia.



## HASHISH/ HASHISH OIL

### SITUATION

There is relatively little demand for the cannabis derivatives of hashish or hashish oil in the United States; however, U.S.



law enforcement authorities do make seizures occasionally. Hashish and hashish oil represent a limited market in Canada, where consumption is concentrated mainly in Quebec, Ontario, and the Atlantic provinces. From 2004 to 2006, Canadian law enforcement agencies continued to seize multiton shipments of hashish, most of it concealed in sea containers en route to ports in Halifax, Nova Scotia, or Montreal, Quebec. Even though law enforcement continues to effect seizures of large amounts of hashish, the availability and the demand for hashish and hashish oil are lower than for other illicit drugs. Hashish seizures continue to be less frequent than those of other illicit drugs in Canada.

### PRODUCTION

Hashish is primarily produced in Morocco; some also originates in Pakistan and Afghanistan. Hashish oil, however, usually comes from Jamaica. Neither hashish nor hashish oil is produced in the United States or Canada.

### CROSS-BORDER MOVEMENT AND TRAFFICKING

Most hashish seizures in Canada are multiton shipments smuggled via sea containers from or

transiting Southwest Asia, Western Europe, and Africa. While the drugs often enter Canada via the ports of Halifax and Montreal, a limited amount has been detected at the Port of Vancouver en route to Toronto and Montreal. From 2004 to 2006, Canadian authorities seized approximately 5.8 tons of hashish at ports of entry; 84.5 percent (4.9 tons) originated in Pakistan. Only 2.4 kilograms transited the United States. This was the result of a single enforcement action in June 2004 at Lacolle, Quebec, involving a private automobile. Two Canadian citizens were arrested.

Jamaica, the source country for nearly all of the hashish oil smuggled into Canada, accounted for 99 percent of the total quantity seized (1.5 tons) at Canadian ports of entry during the 2004 to 2006 period. Although most of the total quantity seized (935 kilograms) was imported using maritime conveyance, hashish oil was most frequently smuggled into Canada by air. This includes passengers, air cargo, and commercial couriers on direct flights between Jamaica and Canada.

As noted earlier, there is relatively little demand for the cannabis derivatives of hashish or hashish oil in the United States. From 2004 to 2006, approximately 665 kilograms of hashish were seized by federal authorities throughout the country, primarily in New York, Florida, New Jersey, Pennsylvania, and Texas. During the same period, only 29.7 kilograms of hashish were seized by CBP officials along the U.S.-Canada border. Only miniscule amounts of hashish oil were seized along the U.S.-Canada border during the same period.

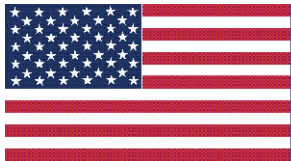
### CRIMINAL GROUPS AND ORGANIZATIONS

Jamaican organized crime groups in southern Ontario, as well as OMGs, have been involved in hashish smuggling. However, well-established



independent criminal organizations in eastern Canada continue to be responsible for the majority of hashish importation into Canada. These criminal organizations are sophisticated and have the necessary resources to conduct large-scale international transactions. In May 2006, three conspirators linked to a criminal organization in Quebec were arrested following an investigation into a conspiracy to import hashish. The RCMP investigation led to the dismantling of the Montreal-based smuggling cell, as well as the seizure of 22.5 tons of hashish off the coast of Africa.

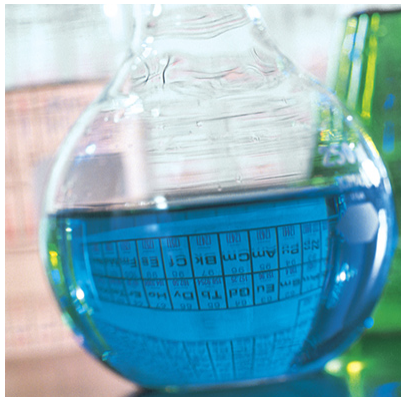




## OTHER CONTROLLED DRUGS

### SITUATION

The trafficking of other controlled drugs in both directions across the border does not pose a threat comparable to that of other, more prevalent, substances. While *Ecstasy*, methamphetamine, and precursor chemicals continue to dominate the illicit synthetic drug trade in Canada, other synthetic substances such as lysergic acid diethylamide (LSD) and phencyclidine (PCP) remain available and popular across the country and are trafficked between Canada and the United States. Other controlled drugs such as ketamine, and to a lesser extent, gamma hydroxybutyrate (GHB) were reported to have the highest trafficking activity between 2004 and 2006.



Steroid smuggling from Mexico and Europe to the United States is widespread. Illicit steroid shipments smuggled into Canada originate in Asia, Europe and the United States. Steroids are also readily available through the Internet, and shipped to either country from sources around the world.

On October 22, 2004, the *Anabolic Steroid Act of 2004* was signed into federal U.S. law. This Act amends the *Anabolic Steroid Control Act of 1990* by modifying the definition of anabolic steroids to include tetrahydrogestrinone (THG), androstenedione, and specified related chemicals, by directing the U.S. Sentencing Commission to review federal sentencing guidelines with respect to anabolic steroid-related offenses,

and by amending guidelines to provide for increased penalties. The Act also authorizes the Attorney General to exempt from regulation any compound, mixture, or preparation containing an anabolic steroid that does not present a significant abuse potential.

### PRODUCTION

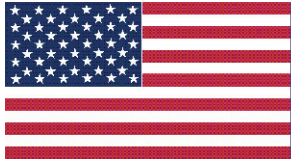
There are several sources in the United States that supply the illegal domestic steroid market. Steroids found in the illicit market are diverted to a lesser extent from legitimate sources - through theft or inappropriate prescriptions - or produced in clandestine laboratories. DEA reports indicate that a major source of illicit ketamine in the United States is Mexico. Ketamine that is available in Canada is diverted from both domestic and foreign supply sources.

GHB found in the United States is produced illegally in both domestic and foreign clandestine laboratories. GHB is sold usually as a white powder or as a clear liquid. Recent data suggest that while the drug remains a threat to public safety, there is an overall decrease in the trafficking of GHB and its analogs.

GHB availability in Canada is largely dependent on domestic supply. Traffickers obtain the precursor chemical GBL from domestic or foreign sources contained in "GHB manufacturing kits" ordered over the Internet and delivered through the postal system. In 2005, amendments to the PCRs regulated the sale and distribution of GBL as well as 1,4 butanediol. (See Precursor Chemicals.)

### CROSS-BORDER MOVEMENT AND TRAFFICKING

Other drugs smuggled in various small quantities in both directions across the border include



amphetamines, barbiturates, diazepam, flunitrazepam, ketamine, khat, LSD, MDA, mescaline, methadone, methaqualone, morphine, PCP, psilocybin, and oxycodone.

Small amounts of steroids, ketamine, and GHB destined for the United States were seized by CBP officials at ports of entry along the U.S.-Canada border between 2004 and 2006. This includes 51 seizures of steroids totaling 1.47 kilograms, 11 seizures of ketamine totaling 1.47 kilograms, and three seizures of GHB totaling 5.80 kilograms.

Between 2004 and 2006, approximately 1.7 million steroid tablets and 123 kilograms of steroid powder originating in Asia, the United States, and Europe were seized at Canadian ports of entry. The largest quantities of tablets--679,112 (41 percent)--and powder--80 kilograms (71 percent)--were smuggled into the country from China. The United States ranked second as a source country of origin or transit country with 232,744 steroid pills and 21 kilograms of powder seized by Canadian authorities. The largest seizure involved 11,440 steroid pills discovered at Toronto's Pearson International Airport in December 2005. The pills were found inside a FedEx courier shipment that originated in Colorado and was destined for Hamilton, Ontario.

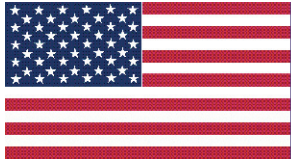
While GHB circulating in the Canadian illicit market originates mainly from domestic sources, small quantities of GHB were also smuggled into the country from foreign sources from 2004 to 2006. From a total of 23 seizures involving 911 dosage units and 4 kilograms of GHB, nine were linked to the United Kingdom, two to the United States, single seizures to Canada, China, the Philippines and the Dominican Republic, and eight were unknown.

Thirty-eight seizures of ketamine were effected at Canadian ports of entry from 2004 to 2006, involving a total quantity of 5,836 dosage units and 536 kilograms. Twenty-six shipments originated outside of Canada, and 12 shipments were outbound. A single seizure of over 500 kilograms of ketamine originating in India was intercepted in Halifax, Nova Scotia, in November 2005. From the period of 2004 to 2006, CBP officials at the U.S.-Canada border have seized only small user amounts of ketamine destined for the United States. However, in March 2006, ICE personnel in Blaine, Washington, seized 49.7 kilograms of ketamine concealed in the doors of a tractor-trailer arriving from Canada.

#### **CRIMINAL GROUPS AND ORGANIZATIONS**

No one criminal group dominates trafficking of steroids, ketamine, or GHB in Canada or the United States. In Canada, organized crime groups are still involved in anabolic steroid trafficking, however to a lesser extent, when compared to the 1990s. Single seizures in late 2006 were reminiscent of past trends involving amounts exceeding 100,000 dosage units, indicating organized crime operations.

From 2004 to 2006, organized crime involvement in GHB trafficking in Canada was less apparent, while organized crime involvement in the ketamine trade appeared to have increased. Asian, Indo-Canadian, and independent crime networks operating in Canada have been linked to the importation of and cross-border trafficking of ketamine.



## CROSS-BORDER MOVEMENT OF ILLICIT DRUG PROCEEDS AND MONEY LAUNDERING

Financial institutions, money services businesses (MSBs)/currency exchange (including alternative remittance systems) and import/export companies represent common sectors used by criminal organizations to move proceeds of crime across our common border.

Some new money laundering techniques may also be used to facilitate cross-border movement of illicit drug proceeds such as e-currency and stored value cards (SVC). Other methods, sometimes used in conjunction with sectors mentioned above, are used principally to facilitate the cross-border movement of illicit drug proceeds. These include electronic funds transfers (EFTs), bulk currency smuggling, and the trade and/or smuggling of diamonds.

Legislation in both the United States and Canada prohibits the electronic transmittal of illicit criminal proceeds and the physical smuggling of currency. Both countries have implemented similar reporting requirements for financial service providers handling more than \$10,000 or any amount transacted suspiciously and for persons crossing the border with more than \$10,000 in currency and/or monetary instruments.

In June 2000, the Government of Canada passed the *Proceeds of Crime (Money Laundering) Act* to assist in the detection and deterrence of money laundering, facilitate the investigation and prosecution of money laundering, and create a financial intelligence unit (FIU). This legislation was amended in December 2001 to become the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA).

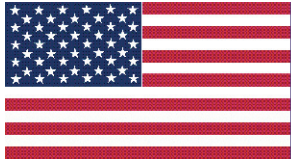
The PCMLTFA requires financial institutions and financial intermediaries to comply with certain client identification, record-keeping, reporting and internal

compliance measures. This includes reporting suspicious transactions, large cash transactions, and international wire transfers to Canada's FIU – the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). Canadian financial entities, foreign exchange dealers, and MSBs, and as of June 2008, casinos must also report all international EFTs exceeding CDN\$10,000 to FINTRAC.

The same Act, PCMLTFA, also made mandatory the reporting of any cross-border movement of bulk currency, or any financial instruments of more than CDN\$10,000 to the CBSA. Financial institutions must keep records of originator and beneficiary information for all EFTs, over a certain threshold (currently CDN\$3,000, but as of June 2008, it will be CDN\$1,000), for a minimum of five years. In an effort to create an environment more difficult for potential money launderers, both the United States and Canada also require financial service providers to establish customer identification programs to verify and retain client information.

The PCMLTFA was further amended in December 2006 as a measure to ensure Canada continues to keep pace with international standards in combating organized crime and terrorist financing.

The United States requires financial service providers to report large and/or suspicious electronic fund transactions. The *Bank Secrecy Act* was amended by the *Annunzio-Wylie Anti-Money Laundering Act of 1992* to authorize the U.S. Treasury and the Federal Reserve Board to prescribe regulations for domestic and international funds transfers. In 1995, the U.S. Treasury and the Board of Governors of the Federal Reserve System issued a final rule on recordkeeping requirements concerning payment orders by banks (31 CFR 103.33). The rule requires each bank involved in funds transfers to collect and retain certain information in connection with funds transfers of US\$3,000 or more. The information



required to be collected and retained depends on the bank's role in the particular funds transfer (originator's bank, intermediary bank, or beneficiary's bank). The requirements may also vary depending on whether an originator or beneficiary is an established customer of a bank and whether a payment order is made in person or otherwise.

### ***ELECTRONIC FUNDS TRANSFER (EFT)***

EFTs are extensively used in the laundering process, mainly at the "layering" stage. Layering is meant to create volumes of paperwork that will hamper any criminal investigation. This is accomplished by moving money around: within the same financial institution, to other financial institutions, to other countries, into other currencies, to investments in bonds, stocks, travelers' checks, or real estate.

FINTRAC compiles EFT statistics which include all reported international EFTs over CDN\$10,000. The extensive amounts of money transferred can easily hide millions or billions of dollars in suspected proceeds of crime. From 2004 to 2006, EFTs from the United States to Canada accounted for CDN\$2.1 trillion, while EFTs from Canada to the United States totaled CDN\$9.3 trillion. The latter large amount is explained, in part, by the fact that "send" and "receive" participants of EFTs are determined at the institution level and do not always correspond to the ultimate originator and/or beneficiary.

While a significant portion of EFTs are sent by large financial institutions, MSBs or money transmitters are also used to send EFTs. In addition, MSBs/currency exchanges are used to convert illicit proceeds into different currencies. For example, in large marijuana-producing areas such as the Lower Mainland in British Columbia, drug proceeds in U.S. dollars are converted into Canadian dollars.

Asian criminal organizations located on both sides of the border commonly use MSBs to funnel money between Canada and the United States, or to divert drug proceeds to countries in Central America, Asia, Europe, or the Middle East.

### ***BULK CURRENCY SMUGGLING***

The physical movement of currency and monetary instruments (such as stocks, bonds, bank drafts, travelers' checks, and money orders) occurs in both directions across the border. Bulk currency smuggling occurs through ports of entry via private and commercial vehicles, package delivery services, and individual couriers using public transportation. Currency is also smuggled between ports of entry by backpackers, boats, and snowmobiles.

In the United States, bulk cash smuggling is a felony under the *USA PATRIOT Act*. All persons entering or leaving the country with currency or other monetary instruments greater than US\$10,000 must file a report with CBP, which is transmitted to the U.S. Financial Crimes Enforcement Network (FinCEN).

### ***NEW TRENDS: E-CURRENCY AND STORED VALUE CARDS (SVC)***

E-currency is also known as digital money, electronic currency, electronic money, digital currency, or Internet money. These terms refer to a form of currency that can be used on the Internet to purchase goods and services or to transfer money between users electronically. Digital currencies should not be confused with online payment systems such as PayPal. Unlike traditional paper-based national currencies, digital currencies are not legally recognized as currency and therefore remain unregulated. Digital currencies have value only to the individuals and businesses that use them and are not traded on the international money market. E-currency



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falls outside the scope of both the Canadian PCMLTFA and the U.S. FinCEN.

E-currency transactions completed online are frequently anonymous, making them virtually impossible for law enforcement to identify and follow. Tax-haven countries, where most digital currency companies are registered, often have bank secrecy legislation that hampers law enforcement investigations. It is also difficult to access customer transaction records in “data-haven” jurisdictions where some digital companies locate their servers.

In recent years, SVCs have evolved from being simple gift cards to prepaid credit cards and more recently prepaid debit cards or “cash cards.” The SVC market also has evolved significantly over the years in terms of availability and size. A study by the Mercator Advisory Group, a U.S. research firm that focuses on the payments industry, indicated that in 2004, US\$159 billion was loaded onto prepaid credit cards in the United States. Although activity was not necessarily criminal,

the potential for using this mechanism as a money laundering tool is evident.

Although these cards were created for legitimate purposes and the advent of SVCs is recent, organized crime increasingly uses them to pay for illegal commodities, to move currency across-borders, and to launder money. SVCs can be sent through the mail stream or physically delivered and funds withdrawn using Automated Teller Machines (ATM). Many SVCs have worldwide ATM access and can also be loaded using e-currency.

Some digital currency services offer their clients SVC services. Unlike debit/credit cards issued from legitimate financial institutions, the SVC offered by digital currency companies bear no identification other than a number and are linked directly to the user’s digital currency account rather than a legitimate bank account. Many transactions completed with the card remain completely anonymous. The SVC can be pre-loaded online or through some of the digital exchange agents.

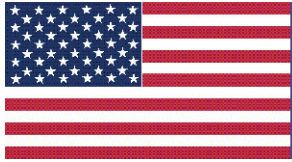
### United States - Canada Border 2004 - 2006 Currency Seizures

United States Customs and Border Protection U.S. Currency Seizures						
Direction	2004		2005		2006	
	Seizures	Amount	Seizures	Amount	Seizures	Amount
Inbound	149	\$5,734,893	144	\$2,939,403	134	\$2,965,410
Outbound	48	\$2,789,270	33	\$1,289,961	24	\$1,006,871
Not Specified	1	\$1,583	1	\$12,000	0	0
<b>Totals</b>	<b>198</b>	<b>\$8,525,746</b>	<b>178</b>	<b>\$4,241,364</b>	<b>158</b>	<b>\$3,972,281</b>

Canada Border Services Agency Suspected Proceeds of Crime Seizures Canadian Currency			
Direction	2004	2005	2006
	Amount	Amount	Amount
Inbound	\$10,540,129	\$5,459,505	\$3,456,406
Outbound	\$98,020	\$19,492	\$0
<b>Totals</b>	<b>\$10,638,149</b>	<b>\$5,478,997</b>	<b>\$3,456,406</b>

U.S. and Canadian officials have seized significant amounts of currency transported illegally across our shared border.



## **BILATERAL COOPERATION**

Both the United States and Canada place a high priority on cooperating with international partners to combat transnational drug trafficking. As demonstrated by the ongoing initiatives and recent joint operations described below, U.S. and Canadian law enforcement work together closely to aggressively pursue drug traffickers on both sides of the border and beyond.

### **BILATERAL INITIATIVES**

- *The launching of the **Security and Prosperity Partnership of North America** in March 2005 demonstrated our shared commitment to building a safe, secure border that is open to legitimate commerce and people but closed to terrorists and criminals, including drug traffickers. Joint law enforcement initiatives, such as the **Shared Border Accord**, the CBCF, and the IBETs, are promoted in the Partnership and supported by the Security Work Plan.*
- *The **Canada-United States Cross-Border Crime Forum (CBCF)** was established in 1997 to improve bilateral cooperation and information sharing. Co-chaired by Canada's Ministers of Public Safety and Justice, as well as the U.S. Attorney General, the CBCF brings senior law enforcement and justice officials together annually to discuss transnational crime issues including drug smuggling, money laundering, firearms trafficking, and telemarketing fraud. Provincial and state governments also participate in the CBCF, as do police at the federal, state/provincial and local levels. CBCF working groups meet throughout the year to develop joint strategies and initiatives including binational threat assessments (such as this document) and collaborative operations.*
- *The CBCF recognizes the **Integrated Border Enforcement Teams (IBETs)** as an international model for cooperation. IBET partner agencies from Canada and the United States are: RCMP, CBSA, U.S. Customs and Border Protection/Office of Border Patrol (CBP/OBP) the Office of Field Operations (CCBP/OFO), ICE, and the USCG. These teams work together on a daily basis with provincial/state and local enforcement agencies to address regional crime issues. First established on the West Coast in 1997, IBETs currently operate in 15 geographic regions along or near the U.S.-Canada border, working in an integrated land, air, and marine environment. IBETs have effectively disrupted drug smuggling rings, confiscated weapons, liquor, tobacco and vehicles. They have made numerous arrests and have intercepted criminal groups attempting to smuggle illegal migrants across the border. In addition to the IBETs, ICE will launch two Border Enforcement Security Task Forces (BEST) along the northern border. BEST will leverage Federal, State, Tribal, local and foreign law enforcement, intelligence, and investigative entities in support of the IBETs.*
- ***Project North Star** is a binational, multi-agency forum that further strives to enhance existing communication, cooperation, and partnerships between U.S. and Canadian law enforcement personnel. The aim is to promote and improve cross-border networking, intelligence gathering and sharing, targeting, prosecution, training, and coordinated planning*



*among local, state/provincial, and federal law enforcement. This cooperation also facilitates the exchange of “best practices” and effective utilization of assets and resources.*

## JOINT OPERATIONS

- *The United States and Canada have a strong history of planning and executing joint law enforcement operations. In September 2004, a joint effort by the DEA and RCMP, led to the successful culmination of **Operation Brain Drain/Project Diversion**. This 17-month bilateral investigation targeted Canadian bulk ephedrine distributors and their U.S. associates, as well as U.S.-based Mexican methamphetamine manufacturers and distributors.*

*The Operation resulted in 90 arrests, including five major traffickers, the seizure of 42 kilograms of methamphetamine, 1,243 kilograms of ephedrine powder, nearly 1.7 million ephedrine pills, 2 kilograms of cocaine, 28 kilograms of precursor chemicals, 5 gallons of methamphetamine solution, 27 weapons, 11 vehicles, 2 large methamphetamine labs, and \$3.5 million in Canadian currency.*

- *In October 2005, a two-year joint investigation between the Peel, Ontario Regional Police and ICE Detroit dubbed **Project Pigeon**, ended with the arrest of the operators of two Brampton, Ontario, trucking firms. The investigation targeted a smuggling ring transporting Canadian-produced marijuana from Ontario into Michigan. These firms used their vehicles to distribute cash and drugs for Asian and Caribbean organized crime groups.*

*Police seized more than 2,200 kilograms of marijuana as well as \$1.3 million in U.S. currency. The incident represented the largest seizure of currency in the history of the Niagara Falls-Fort Erie division of the CBSA. In addition, investigators seized diamonds worth approximately CDN\$454,000 and CDN\$100,000 worth of stolen goods.*

- *Joint operations, such as the highly-successful Operation Candy Box/Project A-Codi, have disrupted DTOs on both sides of the border. As a follow-on to Operation Candy Box, the DEA and RCMP successfully concluded **Operation Sweet Tooth/Project O'Skillet** in November 2005. This operation targeted MDMA and marijuana trafficking organizations in both the United States and Canada. Operation Sweet Tooth identified drug trafficking networks that imported MDMA powder into Canada, established clandestine pill press warehouses, and smuggled bulk quantities of MDMA tablets into the United States. The investigation also revealed that the drug trafficking syndicates laundered millions of dollars in drug proceeds, through the use of bulk courier transport, money remitters, and the Vietnamese underground banking system. The 24-month investigation, with ties to 61 separate U.S. domestic investigations, resulted in the arrests of 291 individuals and the execution of 98 search warrants in the United States and Canada. Seizures totaled 931,300 MDMA tablets, 808 kilograms of marijuana, and US\$7.75 million in assets. Nine individuals were arrested in Canada on U.S. provisional warrants.*

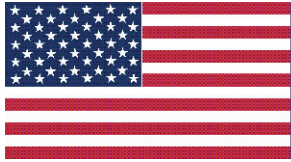


- *In June 2006, Canadian and U.S. law enforcement dismantled a major cross-border drug smuggling network based in British Columbia. The smugglers operated between Bellingham, Washington, and Harrison Hot Springs, British Columbia, using remote, mountainous locations as staging points for helicopter-borne drug drop-offs and deliveries. Code-named **Frozen Timber**, the two-year investigation by ICE and the RCMP resulted in the seizure of 3,640 kilograms of marijuana, 365 kilograms of cocaine, three aircraft, and US\$1.5 million in cash. Marijuana produced in British Columbia was smuggled into the United States, while cocaine was brought back across the border into Canada. Six people were arrested in Canada. Charges included smuggling, trafficking, possession of controlled substances, and possession of firearms. In the United States, 45 indictments resulted in more than 40 arrests in connection with the case.*
- *In September 2006, the DEA New York Field Division, the DEA Ottawa Country Office, ICE, the Federal Bureau of Investigation, the New York Police Department, and the RCMP conducted a joint takedown of **Operation Triple Play/Project O'Slider**, which targeted ethnic Vietnamese organizations responsible for trafficking MDMA and marijuana from Canada. This 18-month investigation successfully dismantled a massive MDMA trafficking organization that smuggled more than US\$5 million worth of MDMA from Canada into the United States for distribution. Operation Triple Play resulted in the arrests of 20 individuals in the United States and Canada, as well as the seizure of more than 50,000 dosage units of MDMA, US\$100,000 in cash, and numerous firearms.*
- *In November 2006, ICE, DEA, and Canadian law enforcement agencies concluded a two-year long investigation (**Operation Hat Trick/ Project Jaloux**). Thirty-one individuals were arrested in the United States and Canada for their involvement in a marijuana and Ecstasy smuggling organization. Besides operating in New Brunswick and Quebec, it also operated in Maine and other northeastern states.*

*More than 680 kilograms of marijuana with an estimated street value of CDN\$3.5 million were seized during several operations that targeted the northern Maine border. More than CDN\$4 million worth of assets have been forfeited in connection with this case.*

*In addition, the RCMP in New Brunswick seized nearly 100,000 pills of methamphetamine purported to be MDMA, and 12,000 MDMA tablets having an estimated street value of \$447,000.*
- ***Operations Pipeline, Convoy, and Jetway** have established successful joint training courses and facilitate information sharing among more than 100 law enforcement agencies across federal, state/provincial, and municipal levels throughout the United States and Canada.*





## U.S. AND CANADIAN DRUG CONTROL EFFORTS

### UNITED STATES

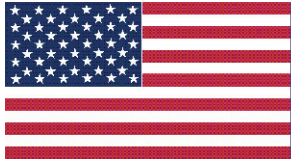
The current U.S. National Drug Control Strategy was initiated in 2002. It directs a balanced approach to reducing drug use among youth and adults. The Strategy focuses on three national priorities: stopping drug use before it starts through education and community action, intervening and healing America's drug users, and disrupting the market for illegal drugs.

The U.S. Government (USG) focuses its prevention efforts on young people. Studies demonstrate that youth who do not initiate drug use by age 18-20 are unlikely ever to develop a drug dependence problem. The USG engages in a number of initiatives aimed at preventing drug use among young people. The Office of National Drug Control Policy's National Youth Anti-Drug Media Campaign seeks to "unsell" the idea of drug use to America's teens. The Drug-Free Communities Program provides federal funding to over 700 communities that have formed coalitions to find local solutions to local substance abuse challenges. The USG also supports communities that have adopted random, non-punitive student drug testing programs. Over a thousand communities have started such programs, which supplement existing prevention efforts by giving young people a reason not to do drugs.

The USG recognizes that drug addiction is a disease and, as such, should be treated using the full range of public health tools. The "Screening, Brief Intervention, Referral and Treatment" (SBIRT) program has begun screening and providing brief interventions in hospitals, primary care settings, colleges, and one tribal council. Hundreds of thousands of patients have been screened as part of

the SBIRT program. The resulting brief interventions and treatment referrals have been shown to contribute to significant declines in substance abuse. The USG also seeks to reduce the barriers to drug treatment through the Access to Recovery (ATR) program, which provides vouchers for treatment as well as for support services such as child care, transportation, and mentoring. Drug users who find themselves involved with the U.S. criminal justice system are increasingly being offered an opportunity for recovery through drug court programs. Drug courts combine the coercive power of the courts with the support of family, friends, counselors, and treatment providers to help non-violent offenders overcome their drug problems. The U.S. Department of Health and Human Services provides extensive funding to support the nearly 2,000 drug courts operating throughout the United States.

The USG also seeks to prevent drug use by reducing the availability of drugs on American streets. These efforts to disrupt the market for illicit drugs take place at all levels, global, regional, and domestic. Globally, the United States works with partner nations and international organizations to improve cooperation and strengthen the international consensus against drug trafficking and abuse. Regionally, the United States works with its allies in the hemisphere to reduce the production of illegal drugs and to interdict drug shipments in transit. Domestically, law enforcement agencies at the federal, state, and local levels work to reduce domestic drug production and dismantle the organizations responsible for drug trafficking. These market disruption efforts have produced results: law enforcement actions, both domestic and international, have contributed to significant declines in the production and use of synthetic drugs such as LSD, MDMA, and methamphetamine.



## United States - Canada Border Drug Threat Assessment 2007



When it was launched in 2002, the Strategy set ambitious performance-based goals: 1) to lower the rate of drug use by 10 percent over two years; and 2) to lower the rate by 25 percent over five years. Survey reporting indicates that youth drug use in fact dropped by 11 percent over two years and 23.2 percent over five years. Using 2001 data as a baseline, this means that 840,000 fewer young Americans were using illicit drugs in 2006 than in 2001.

As part of the Strategy, USG efforts to disrupt the illicit drug market have been enhanced, and DEA's funding for the Priority Targeting Initiative—designed to disrupt or dismantle priority target organizations—has been increased by 10 percent. To facilitate both investigations and prosecutions, staffing increases in priority areas have been made in the U.S. Attorney workforce and the Organized Crime Drug Enforcement Task Force Fusion Center. Also, the USG will continue to support the Andean Counterdrug Initiative that provides support to Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Venezuela. Funding will be used for financial and maritime smuggling investigations, port and airport programs, interdiction and chemical control operations, training, as well as the purchase of communication/ technical/ electronic/office equipment and vehicles.

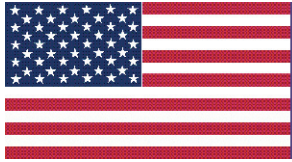
In addition to the Western Hemisphere, the USG has contributed \$14.2 billion in reconstruction and security assistance in Afghanistan since 2001 and the President has additionally requested \$11.8 billion for the remainder of 2007 and 2008. In 2007, the United States has spent over \$600 million supporting the Government of Afghanistan's counter-narcotics strategy, which included \$343 million for improving interdiction efforts and the continuing support for DEA Foreign-deployed Advisory Support Teams (FAST), while also providing resources to encourage comprehensive agricultural and business development.

### CANADA

Canada's government has announced a new National Anti-Drug Strategy (NADS), supported by Budget 2007 and reconfirmed in the 2007 Speech From the Throne. The strategy takes a balanced approach to reducing both the supply of, and demand for, illicit drugs. The strategy covers three priority areas: to prevent illicit drug use, treat illicit drug dependency, and combat illicit drug production. This new approach will result in a more focused program for dealing with illicit drugs in Canada.

Through this new strategy, additional federal resources will be devoted to implement a national prevention campaign aimed at youth and their parents. The objective of the campaign will be to help decrease the prevalence of drug use among youth. To do this, the campaign will raise awareness and knowledge about drugs and their negative effects. It will also give parents the tools they need to talk to their children about drug use. The Canadian Centre on Substance Abuse, a non-governmental organization, will continue to play an important role in supporting and building linkages among organizations involved in these prevention efforts.

Increased resources will also be devoted to support drug treatment in collaboration with provinces and territories. This will include innovative drug treatment services where needed (e.g. youth and vulnerable communities) as well as improving treatment systems. In addition, resources will be provided for enhanced treatment and support for First Nations and Inuit populations. Funding will also be used by the Department of Justice to support extra-judicial diversion and treatment programs for young



persons with drug-related problems in various stages of the criminal justice system. The RCMP will refer youth at risk to treatment programming. The Canadian Institutes of Health Research will also develop new treatment models for crystal methamphetamine use.

Canada's government will enhance its close working relationship with the provinces, territories, and law enforcement partners to ensure that officers have the tools they need to significantly reduce illegal drug production and distribution operations. In January 2004, the RCMP created dedicated drug-enforcement teams across the country to investigate, target, and dismantle marijuana grow operations and clandestine laboratories. A National Coordinator oversees activities conducted by these special investigative teams, which are currently active in British Columbia, Alberta, Ontario, New Brunswick, Nova Scotia, and Quebec.

In 2007-08, the RCMP received additional resources to increase the number and size of these dedicated drug-enforcement teams, allowing law enforcement to be even more proactive in their efforts to target illicit drug producers and tackle the organized crime elements behind them, including gangs, thereby stemming the supply of illicit drugs. The CBSA also will receive additional resources that will not only improve precursor chemical and illicit drug detection capabilities, but will strengthen investigative and border intelligence capabilities. Funding will further enhance capacity to investigate, interdict, and prosecute offenders as well as seize proceeds of crime.

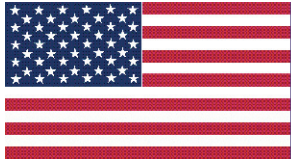
Other efforts to combat illicit drug production and distribution under NADS include the Government's introduction of legislation that will enhance existing penalties by adding mandatory

prison sentences for serious drug offences. The proposed reforms will target drug suppliers, and will send a signal to growers and traffickers that this illicit activity will not be tolerated, especially when it involves Canada's youth. The reforms will encompass a range of illegal drugs whose use is detrimental to the health, safety, and well-being of Canadians.

Over the next five years, the Office of Controlled Substances is expected to increase its current number of Regional Compliance Officers (RCO) designated as inspectors under the CDSA. The RCOs inspect and monitor licensed dealers to determine compliance with the applicable regulations and take appropriate administrative actions if necessary. Where an inspection or investigation yields evidence suggestive of diversion to illicit channels, it is referred to and investigated by the police.

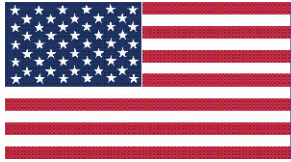
The NADS has been established in such a way as to foster collaboration at all levels of government and with non-governmental organizations. To this end, the Government of Canada works closely with international, provincial, territorial, municipal, and non-governmental partners to develop and enhance innovative prevention, treatment, and enforcement efforts, identify best practices, and disseminate information across the country.

Internationally, Canada also promotes a balanced approach that addresses both supply and demand issues. Canada supports the Organization of American States' Inter-American Drug Abuse Control Commission (CICAD), and manages other drug cooperation projects under the Department of Foreign Affairs and International Trade Canada Global Peace and Security Fund - Glyn Berry Program. Canada also contributes to the United Nation's Office on Drugs and Crime (UNODC)



to support the Afghan National Drug Control Strategy. To this end, Canada announced \$200 million in additional funding (for 2007 and 2008) for reconstruction and development activities in Afghanistan, including \$30 million for counter-narcotics efforts, with \$27 million for the UNODC, and \$3 million to Afghanistan's Counter-Narcotics Trust Fund (CNTF). Canada's new counter-narcotics funding complements the funding that already provided in Kandahar province to support alternative livelihood projects giving incentives to farmers to grow legal crops.

On the hemispheric front, the Latin America and Caribbean region is the primary source of illicit drugs entering Canada. These regions are a priority in Canada's hemispheric efforts to combat illicit drugs. Canada provides assistance to the region both bilaterally and multilaterally, through the UNODC and CICAD. Some project highlights include law enforcement training on advanced drug investigation and interdiction techniques through the RCMP's International Observer Attachment Program; an evaluation of substance abuse prevention programs targeted at youth; support for addictions studies in the Caribbean; and, workshops on the control of synthetic and precursor drugs. Support is provided to regional programs as well as focused bilateral initiatives, such as demand reduction for Afghanistan, alternative development in Peru, or container control and port security in Latin America.



## OUTLOOK

Much work remains to be done to combat cross-border drug trafficking. It is clear that the excellent collaborative relationship between the U.S. and Canadian governments and law enforcement agencies will remain an essential element to our success in this fight. Moreover, our countries' continued commitment to enhancing information sharing through bodies such as the CBCF, expanding joint initiatives, such as the highly successful IBETs, and frequent bilateral collaboration on investigations such as Operation Sweet Tooth/Project O'Skillet, Operation Triple Play/Project O'Slider, and Operation Frozen Timber will strengthen our ability to address current and emerging threats:

- *With the emergence of Canada as a primary source country for **MDMA** to U.S. markets, the cross-border smuggling of MDMA is likely to continue. Asian criminal groups and various independent dealers will remain the principal smugglers of MDMA.*
- *In the course of this reporting period, the United States has become the primary transit country for **cocaine** entering Canada. With increased involvement of criminal groups of Asian origin in the cocaine trade and the trend of drug exchange, cocaine smuggling from the United States to Canada will likely increase and require greater monitoring from both countries.*
- *There has been a 50 percent decrease in the amount of Canadian-grown **marijuana** seized by U.S. authorities at the U.S.-Canada border. However, the United States is concerned that it may see an increase in indoor grow operations*
- *assisted in some cases by Canadian criminal organizations. Members of Asian organized crime and independent smugglers will remain the primary transporters of Canadian-produced marijuana into the United States, due to their established smuggling infrastructures and distribution networks.*
- *The threat posed by cross-border **methamphetamine** smuggling is likely to remain proportionately low in the near future. There are few investigative indicators pointing toward widespread cross-border smuggling of methamphetamine. Most of the supply in Canada is domestically produced, and most available in the United States is manufactured in Mexico. However, the upsurge in methamphetamine production in Canada in recent years raises the prospect of increased smuggling from Canada to international markets.*
- *Canada's Precursor Control Regulations and successful law enforcement operations will likely continue to reduce the diversion of **precursor chemicals**. However, as long as the demand for synthetic drugs continues unabated, organized crime groups will continue to smuggle precursor chemicals used in **MDMA** and **methamphetamine** production from international sources, notably Asia, to clandestine laboratories located in Canada. This trend will remain a concern for both countries.*
- *The smuggling of **heroin** between Canada and the United States will likely continue to account for only a small proportion of the amounts imported into either country. South America and Mexico will likely remain the primary*



*sources of heroin for the United States and may increasingly supply Canada as well. As Southwest Asian heroin has gained a foothold in Canadian drug markets, cross-border smuggling to U.S. markets is a distinct possibility and should be monitored.*

- *The trafficking of **anabolic steroids** will remain a concern for both countries, but particularly for Canada, as quantities continue to transit or originate in the United States en route to Canadian consumers.*



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