ORGANIZED CONTRABAND SMUGGLING 
AND ITS ENFORCEMENT IN CANADA: 
AN ASSESSMENT OF THE ANTI-SMUGGLING INITIATIVE

Stephen Schneider

This article provides an overview of contemporary cigarette and liquor smuggling affecting Canada and summarizes the results of research that evaluates a Federal enforcement program in this country entitled the Anti-Smuggling Initiative (ASI). To combat the escalation and increased organization of cigarette smuggling, the Canadian Government provided special funding to federal enforcement and prosecution agencies beginning in 1994. The program evaluation concluded that there was a substantial decrease in the contraband tobacco market as a result of the ASI initiatives; however, evidence suggests that reductions in Canadian cigarette taxes made during the same period were the most powerful policy tool in influencing cigarette smuggling. While the ASI laid the foundation for success in dismantling some of the largest known tobacco and liquor smuggling operations in Canada, it does not appear to have had a strong deterrent effect on organized smuggling in general. Instead, the impact on smuggling groups can more accurately be characterized as one of displacement. Indeed, history shows that early successes in organized crime enforcement are often followed by diminishing returns as criminal groups become more adaptive and sophisticated. This research concludes that to most effectively address the smuggling of legal goods, enforcement must be supplemented with taxation policies that reduce the financial viability and attractiveness of this trade.

Introduction

This paper summarizes the findings and conclusion of an assessment of the Canadian Government’s Anti-Smuggling Initiative (ASI), a five-year program to combat contraband smuggling, and cigarette smuggling in particular. The ASI began in fiscal 1994/1995 as part of the National Action Plan on Smuggling, which was implemented during a period that witnessed a meteoric escalation of the contraband cigarette trade in Canada. The primary objective of this study was to assess the impact of the ASI on smuggling enforcement, and ultimately organized smuggling and contraband markets in Canada. This research is significant because it is one of the first comprehensive examinations of smuggling enforcement in Canada since the Royal Commission on the De-
partment of Customs and Excise was held in 1926. Despite the recognized problems in collecting reliable data on the impact of enforcement on smuggling and contraband markets, this research makes a modest contribution to the study and evaluation of organized crime enforcement.

This article begins by summarizing the historical and contemporary problem of contraband smuggling that affects Canada. It then outlines the Anti-Smuggling Initiative. The design for the program evaluation of the ASI is provided and this is followed by a summary and analysis of the research findings.

Contraband Smuggling and Canada

There is a long history of contraband smuggling into and out of Canada. During the settling of Western Canada, liquor was surreptitiously spirited into the country from the United States on a regular basis. The scope of the illicit whiskey trade was perceived to be so destructive to the frontier that the Canadian Government was compelled to form the North West Mounted Police, which would become responsible for curbing the liquor trade and policing the Western parts of the country. This police force would eventually evolve into the Royal Canadian Mounted Police.

Despite the bootlegging precedence set during the late nineteenth century, it was the numerous provincial prohibition laws erected during the first decades of the twentieth century that would exponentially multiply the number of illegal stills and bootleggers in Canada. Not only was booze smuggled in from other countries, but liquor designated to be legally exported from Canada would surreptitiously find its way back onto the Canadian black market. The purpose of this unlawful repatriation was to circumvent, not only provincial temperance laws, but federal liquor taxes, which did not apply to exported spirits.

The Canadian market for contraband liquor would soon pale in comparison to that which would open up south of the border following World War I when Canada had few restrictions on liquor production and the United States dried up due to the enactment of the 18th Amendment to the American Constitution in 1919. It was during this period that Canada would become the lifeblood of illegal liquor for a thirsty and receptive American population, with Canadian distilleries, breweries, rumrunners, moonshiners, bootleggers, and a supporting cast of thousands repeatedly skirting North America’s temperance laws. By the beginning of the 1920s, few would expect that Canada, and more specifically Canadian distillers and rumrunners, would provide a major challenge to America’s new national prohibition. Despite provincial temperance laws, the production of liquor in Canada, which was federally controlled, was never banned in this country. While contraband liquor would flow into America from a diverse number of countries, Canada was by far the greatest source of liquor for dry Americans, outstripping all other countries combined. Estimates of Canada’s share in the total illegal liquor flowing into the United States ranged from 60 to 90 percent (Allen, 1961: 253). As historian Ralph Allen opined,