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Film Piracy, Organized Crime, and Terrorism

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Summary

- *In Italy, a former Mafia boss turned government witness outlined how the Camorra, at times working in cooperation with Chinese and Taiwanese triads, generated millions of dollars from counterfeiting, including film piracy.*
- *In Malaysia, the Ang Bin Hoey triad has engaged in turf battles to maintain control over lucrative piracy markets, battles that resulted in knife and spear fights; robberies of bystanders, including families at bus stops; and assassinations of rival gang leaders.*
- *In Britain, 21 illegal Chinese immigrants drowned in the rising tide of Morecambe Bay while harvesting shellfish at night in treacherous waters. The victims had been forced into servitude by a slavemaster whose accomplice was found to have 4,000 counterfeit DVDs, copiers, and other equipment used for film piracy.*
- *The tri-border area of Brazil, Argentina, and Paraguay has emerged as the most important financing center for Islamic terrorism outside the Middle East, channeling $20 million annually to Hezbollah. At least one transfer of $3.5 million was donated by known DVD pirate Assad Ahmad Barakat, who received a thank-you note from the Hezbollah leader. Barakat was labeled a "specially designated global terrorist" by the U.S. government in 2004.*
- *In Russia, pirate syndicates are routinely tipped off by corrupt police officials prior to raids and have been permitted to run their businesses on government property and even from prison. Organized-crime figures involved in piracy have been known to resort to violence against rivals. Alleged pirates Ayrat Sharipov and Yevgeny Ladik and anti-*

piracy investigators were murdered, and an attempt was made on the life of the head of the Russian Anti-Piracy Organization.

As these cases indicate, DVD piracy, which has a higher profit margin than narcotics and minimal risks of enforcement, is attractive around the world as an element of criminal portfolios that also include drugs, money laundering, extortion, and human smuggling. The 14 case studies in this report provide compelling evidence of a broad, geographically dispersed, and continuing connection between film piracy and organized crime.

Moreover, three of the documented cases provide clear evidence that terrorist groups have used the proceeds of film piracy to finance their activities. While caution must be exercised in drawing broad conclusions from limited evidence, further investigation is a timely imperative. These cases, combined with established evidence for the broader category of counterfeiting-terrorism connections, are highly suggestive that intellectual-property theft—a low-risk, high-profit enterprise—is attractive not only to organized crime, but also to terrorists, particularly opportunistic members of local terrorist cells.

Whether the ends are financial gain or terrorism, the means are the same. Counterfeiting is widely used to generate cash for diverse criminal organizations. In the case of DVD film piracy, criminal groups are moving to control the entire supply chain, from manufacture to distribution to street sales, consolidating power over this lucrative black market and building substantial wealth and influence in virtually every region of the globe. In some areas, this influence extends to law enforcement and political leaders, who are bought, intimidated, or induced to create "protected spaces" where crime flourishes.

Table S.1 summarizes the criminal groups examined in this report, their bases, and the range of crimes they commit.

The main difference between organized crime and terrorism is motivation—financial gain for the former and a political agenda for the latter. However, the motivations of a group's members can change over time in reaction to changed circumstances. For example, the Irish Republican Army (IRA), a terrorist group that once supported itself in part with the proceeds of crime, devolved into a criminal group, while

Table S.1
Criminal Groups, Bases, and Range of Criminal Activities

Organized-Crime Group	Base Location	Film Piracy	Counterfeiting	Racketeering	Human Smuggling	Money Laundering/ Illegal Money Transfer Service	Illegal Gambling	Loan-Sharking	Narcotics Trafficking	Prostitution	Weapon Trafficking	Contract Killing	Document Forgery Services
Big Circle Boys	Canada	x		x	x	x	x	x	x	x	x	x	x
Yi Ging	USA	x		x		x	x	x	x				
Jah organization	USA	x	x			x							x
Cockle-picker gangmaster	England	x	x		x								
Lotus Trading Company	England	x	x		x								
Madrid Human smuggling ring	Spain	x			x								x
Camorra Mafia	Italy	x	x	x	x	x	x	x	x	x	x	x	x
Wo Shing Wo triad	Hong Kong	x	x	x	x	x	x	x	x	x	x	x	x
San Yee On triad	Hong Kong	x	x	x	x	x	x	x	x	x	x	x	x
Ang Bin Hoey triad	Malaysia	x	x	x	x	x	x	x	x	x	x	x	x
Barakat network	Paraguay	x	x	x		x	x		x		x		x
PIRA/RIRA	N. Ireland	x	x	x					x		x		
UDA/UFF/UVF	N. Ireland	x	x	x					x		x		
D-Company	Pakistan	x	x	x		x			x		x	x	
Tarantsev/Orehovsko-Medvedkovsky	Russia	x	x			x						x	
Los Ambulantes/Tepito	Mexico	x	x	x	x	x			x	x	x		x
Yamaguchi-gumi/Yakuza	Japan	x	x	x	x	x	x	x	x	x	x	x	x

India's D-Company appears to have morphed from a traditional criminal syndicate motivated by money to a terrorist group motivated by a political agenda funded at least in part with the proceeds of crime. As set forth in this report, both the IRA and D-Company have used film piracy to help fund their activities.

The evidence assembled in this report testifies that counterfeiting is a threat not only to the global information economy, but also to public safety and national security. It represents a call to cooperation in the battle against intellectual-property theft for law enforcement and governments around the world. Five ingredients are critical to meaningful progress:

- Increased political will
- Strong legislation
- Consistent enforcement
- Deterrent sentencing
- Innovative solutions.

Increased Political Will. Governments worldwide should commit resources and establish high-level accountability for intellectual-property protections, adding organized crime and piracy to the agenda of influential global gatherings such as the G-8 and the Davos Economic Summit, conducting periodic legislative hearings and public-awareness campaigns, and sharing intelligence with industry-led anti-piracy efforts.

Strong Legislation. The legal definition of "organized crime" should be expanded to include large-scale counterfeiting tied to other criminal activity. Laws should be enacted to grant investigators greater authority to sustain investigations, conduct surveillance, and obtain search warrants.

Consistent Enforcement. Authorities should be provided with guidelines for ways to trace back up the production and distribution chain. This requires processing cases quickly to reduce the risk that informants will be intimidated, and it means enhancing international cooperation to mirror the borderless nature of criminal networks.

Deterrent Sentencing. The current light sentences for piracy provide neither deterrents to crime nor incentives to cooperate with authorities. That should change with increased understanding of the powerful links between piracy and organized crime. Key piracy cases should be fought in the organized-crime or money-laundering divisions of prosecutors' offices. Strong application of money-laundering and other statutes can work to reduce the financial appeal of these crimes. In addition, piracy should be made a priority offense within anti-gang strategies.

Innovative Solutions. Customs and immigration forms (and any enabling laws or regulations, if necessary) should be amended to include language prohibiting the importation of counterfeit goods. It is also important to enlist the financial community in spotting piracy syndicates' money-laundering tactics; to improve standards for transportation documents; and to increase public awareness of the consequences of intellectual-property theft. Governments should also consider making large-scale piracy an extraditable offense.

The exposure of the critical link between piracy and organized crime, along with an early-warning flag on terrorism, raises critical questions for policymakers and law enforcement about whether opportunities exist for pursuing piracy up the criminal food chain to uncover and perhaps prevent more-serious criminal acts. For example, in one case documented in this report, a simple arrest at a United Parcel Service (UPS) store for shipping illegal DVDs led to the exposure of a large-scale human-trafficking ring. There is a clear need for additional global intelligence gathering and sharing to further illuminate the scope and nature of the connections between piracy and organized crime. And the mandate is clear for policymakers and law enforcement around the world to revisit the common but erroneous assumption that counterfeiting is a victimless crime.