



Film Piracy and Its Connection to Organized Crime and Terrorism

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There is compelling evidence of a broad and continuing connection between film piracy and organized crime. Piracy is high in pay-off—with profit margins greater than those of illegal narcotics—and low in risk, often taking place under the radar of law enforcement. In addition, terrorist groups have in some cases used the proceeds of film piracy to finance their activities. Besides being a threat to the global information economy, counterfeiting threatens public safety and national security. That is the conclusion of a new RAND report, *Film Piracy, Organized Crime, and Terrorism*.

Abstract

This report argues that buying and selling pirated films is not a victimless crime. Because profits are huge, the cost of entry minimal, and the risks relatively low, organized-crime groups worldwide use counterfeiting to fund serious criminal activities. Three case studies offer evidence that terrorist groups have also supported their operations through film piracy. Stronger measures are recommended to combat a problem that threatens the global information economy, public safety, and national security.

Case Studies

The report offers detailed descriptions of 17 case studies, based on more than 2,000 pages of primary source materials and 120 interviews with law enforcement and intelligence agents in 20 countries. The table below lists the criminal groups examined, their bases, and the range of crimes they

commit. As it shows, all the criminal organizations that engaged in film piracy in these case studies also carried out other, more serious and violent crimes. In the case of DVD film piracy, criminal groups are working to gain control of the entire

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

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Headquarters Campus
1776 Main Street
P.O. Box 2138
Santa Monica, California
90407-2138
TEL 310.393.0411
FAX 310.393.4818

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supply chain, from manufacture to distribution to street sales, consolidating 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.

Three of the documented cases provide evidence that terrorist groups have used the proceeds of film piracy in one way or another to finance their activities:

- **Barakat Network.** This criminal syndicate operates in the Tri-Border Area of Brazil, Argentina, and Paraguay, a known haven for criminal groups and Islamic terrorist organizations. It has engaged in piracy from its beginnings and has used funds from this and other crimes to raise substantial money for Hezbollah.
- **Provisional Irish Republican Army (PIRA).** PIRA is one of several paramilitary groups in Northern Ireland that fomented civil unrest and violence for more than 30 years. With the end of most of the political violence in 1998, PIRA leveraged its existing infrastructure to engage in organized crime, including counterfeiting.
- **D-Company.** This organization, named for Dawood Ibrahim, the godfather of criminal gangs from Bangkok to Dubai, began by pursuing the standard crime-syndicate practices of extortion, smuggling, and contract killings. Later, it became an extremist organization that executed the “Black Friday” Mumbai bombings in 1993, funded in part by the proceeds of crime. It also leveraged its rackets in the film industry to forge a pirate monopoly that controls the master copies of pirated Bollywood and Hollywood films.

Involvement of Governments and Law Enforcement

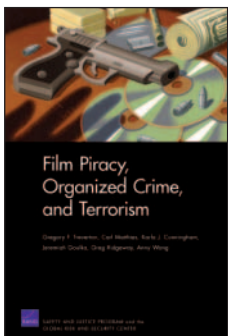
Incentives for government action to address intellectual-property theft are often weak. In some cases, corrupt officials have been co-opted by criminal elements. In other cases, the prevailing view is that multinational corporations should not be entitled to protection of intellectual property. Some governments may also be reluctant to close off an important source of income in poor areas. Even if the political will exists, the resources for enforcement in many developing countries are limited. As the connection between piracy and organized crime—and even terrorism—becomes clearer, some developed countries are taking stronger steps to address the problem. The most innovative and rigorous enforcement

programs described in the report are in the United States, Britain, and Hong Kong.

Policy Recommendations

The authors recommend efforts to reduce demand for pirated goods through opening film markets, international treaties, and public-awareness campaigns. They also recommend five areas in which governments should act to reduce the supply of counterfeit products:

- **Increased political will.** Governments worldwide should commit resources and establish accountability for intellectual-property protections, adding organized crime and piracy to the agenda of global gatherings such as the G-8 and the Davos Economic Summit, conducting 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 grant investigators greater authority to sustain investigations, conduct surveillance, and obtain search warrants.
- **Consistent enforcement.** Authorities should be provided with guidelines for pursuing piracy up the criminal food chain to uncover and perhaps prevent more-serious criminal acts. 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.** Current sentences for piracy are very light, providing neither much deterrent nor much incentive for those arrested to cooperate in the investigation of ties to other criminal activities. Moreover, cases often are handled in prosecutors’ general divisions, thus receiving less priority than more-violent crimes, and they may also focus on the “easy” targets (e.g., the peddlers), not the organized-crime leaders. Such cases should be handled by the organized-crime or money-laundering divisions of the prosecutors’ offices. In addition, piracy should be made a priority offense within anti-gang strategies.
- **Innovative solutions.** Governments should be willing to experiment with innovative solutions, such as making large-scale piracy an extraditable offense. Immigration forms might also be amended to include language prohibiting the importation of counterfeit goods. ■



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