Film Piracy, Organized Crime and Terrorism

Gregory F. Treverton
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April 28, 2009
Purpose was to assess connections, with film piracy as example

• Lay out methods, findings, conclusions
• Discuss the evidence
• Spell out implications for policy and operations
Method was careful assembling of evidence

- Drew on RAND expertise on terrorism and organized crime
- Based on detailed, on-site cases from around the world
  - 2,000 pages of primary source materials and 120 interviews in 20 countries
- Peer-reviewed by two outside experts, plus multiple internal reviews
- Careful in text about hierarchy of evidence
  - Court cases at the top; press accounts at bottom
**Strong evidence of connection to organized crime, link to terrorism**

- 14 case studies offered compelling evidence of connection between organized crime and film piracy.
- At least 3 other cases showed terrorists using piracy to finance their activities.
- For governments, corruption and self-interest produces “protected spaces” for crime, including piracy.
- Hence, need for renewed interest from policymakers and law enforcement.
Film piracy higher profit margin than narcotics

Minimal risks of enforcement and light penalties

Organized crime is moving to control the entire supply chain
- Where cash changes hands, magnet for crime
- Thus, no longer a “victimless crime”

Critical question for policymakers and law enforcement:
- Can piracy be pursued up the criminal food chain to prevent more serious criminal acts?
# Film piracy is nested with other crimes

<table>
<thead>
<tr>
<th>Organized Crime Group</th>
<th>USA</th>
<th>Canada</th>
<th>England</th>
<th>England</th>
<th>Spain</th>
<th>Italy</th>
<th>Hong Kong</th>
<th>Malaysia</th>
<th>Paraguay</th>
<th>N. Ireland</th>
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<th>Pakistan</th>
<th>Russia</th>
<th>Mexico</th>
<th>Japan</th>
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<tbody>
<tr>
<td>Film Piracy</td>
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<td>Counterfeiting</td>
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<td>Racketeering</td>
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<td>Human Smuggling</td>
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<td>N. Ireland</td>
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<td>Money Laundering / Illegal</td>
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<td>Illegal Gambling</td>
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<td>Narcotics Trafficking</td>
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<td>Prostitution</td>
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<td>Weapon Trafficking</td>
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<td>Contract Killing</td>
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<td>Document Forgery Service</td>
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**Note:** The table indicates the presence of organized crime groups in different locations. The X marks denote the presence of these groups.
### Other crimes range from fewer and less “serious”

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>United States</td>
<td><strong>Gang violence, drugs:</strong> NY Chinatown Yi Ging gang netted $1.2 million/yr from piracy protected by violence.</td>
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<td><strong>Money Laundering:</strong> Jah organization laundered ~$46 M in unregulated wire transfers and bulk cash smuggling.</td>
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<td>Hong Kong</td>
<td><strong>Extortion, narcotics, prostitution.</strong> Two major triads/gangs Sun Yee On and Wo Shing Wo oversee a $25 M piracy operation in Kowloon.</td>
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<tr>
<td>Malaysia</td>
<td><strong>Extortion, gang violence:</strong> Triad Ang Bin Hoey extorted “protection fees.”</td>
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<tr>
<td>Britain, incl.</td>
<td><strong>Human smuggling, exploitation, murder</strong>: Illegally trafficked Chinese immigrants die in high tide; “gang master” associate engaged in piracy.</td>
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<tr>
<td>Northern Ireland</td>
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<tr>
<td>Italy</td>
<td><strong>Human trafficking</strong>: 2 sting operations uncovered a pattern of indentured servitude manufacturing and selling counterfeit DVDs.</td>
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<tr>
<td>Spain</td>
<td><strong>Human smuggling</strong>: 2 sting operations uncovered a pattern of indentured servitude manufacturing and selling counterfeit DVDs.</td>
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<tr>
<td><strong>Narcotics, drugs, money laundering, extortion</strong>:</td>
<td>Camorra’s piracy managed by a well organized structure of members responsible for certain territories, functions.</td>
</tr>
</tbody>
</table>
Ng in Britain kept careful log

DVD:

D5 - 4.7 GB  Gold Plate
1. Title + 1 layer texture
DTS sound cannot get to
4 subtitles.

D9 - 8 GB
1. Title + 2 layer texture
DTS sound with multi-angle
12 subtitles, scene index
3 types of language.

China - Malaysia - London

1. Air Ticket China to Malaysia
$1,300
2. Food & Lodging in Malaysia
$400
3. Transfer to K.L. Air Port
$150
4. Air Ticket from K.L. to London
$1,300
5. All Ticket for Agent (£2.50)
$1,500
6. Agent (ieved) Commission
$8,000
7. Malaysia Boss (人民币)
$2,900
8. Commission (人民币)
$16,000

Collect $36,000 (人民币)
Corruption, self-interest produces “protected spaces”

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<tbody>
<tr>
<td>Russia</td>
<td>Government official bribery, intimidation, extortion: Officials were bribed to sustain Transtev market, warn or prevent raids on Victoria, Gamma, and Russobit-soft factories.</td>
</tr>
<tr>
<td>Mexico</td>
<td>Corruption, political interest. Vendors selling pirated DVDs bribe politicians to avoid police action in exchange for money, votes, and political support (“foot soldiers”).</td>
</tr>
<tr>
<td>Japan</td>
<td>Political interest. Yakuza had been tacit allies of police and still quite open, though economic crisis of 1990s changed public mood.</td>
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## And piracy is linked to terrorism

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Brazil / Paraguay / Argentina</td>
<td>Known pirate Barakat funnels millions of dollars to Hezbollah.</td>
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<tr>
<td>India</td>
<td>D-company moved from pirating DVDS to supporting Islamic terrorism.</td>
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<tr>
<td>Britain, incl. Northern Ireland</td>
<td>Paramilitary groups, including the IRA, control piracy and counterfeit markets throughout Northern Ireland.</td>
</tr>
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</table>
Barakat associate used phony “trademark”
Approaches to mitigating film piracy

- Increased political will
- Strong legislation
- Consistent enforcement
- Deterrent sentencing
- Innovative solutions
**Increased political will would mean:**

- Committing more government resources and establishing 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
- Sharing intelligence with industry-led anti-piracy efforts
Strong legislation would include:

- Broadened legal definition of “organized crime” to include large-scale counterfeiting tied to other criminal activity
- Laws to grant investigators greater authority to sustain investigations, conduct surveillance, and obtain search warrants
Consistent enforcement would imply:

- Providing authorities with guidelines for pursuing piracy up the criminal food chain
- Processing cases quickly to reduce the risk that informants will be intimidated
- Enhancing international cooperation to mirror the borderless nature of criminal networks
Deterrent sentencing needed because:

- Current sentences for piracy are very light
  - Cases often handled in prosecutors’ general divisions
  - Tend to focus on the “easy” targets (e.g., the peddlers), not the organized-crime leaders
- Should be handled by the organized-crime or money-laundering divisions of the prosecutors’ offices
  - Make piracy a priority offense within anti-gang strategies
Innovative solutions are needed, such as

- Making large-scale piracy an extraditable offense
- Amending immigration forms to include language prohibiting importation of counterfeit goods
Concluding thoughts

- Link between piracy and human smuggling should not surprise us
- The challenge is building public awareness so that:
  - People realize buying a counterfeit DVD may provide funds to organized crime
  - And may even support terrorists
  - Such awareness can help reduce demand