



Film Piracy, Organized Crime, and Terrorism

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India Case Study

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SAFETY AND JUSTICE PROGRAM and
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Preface

This report presents the findings of research into the involvement of organized crime and terrorist groups in counterfeiting a wide range of products, from watches to automobile parts, from pharmaceuticals to computer software. It presents detailed case studies from around the globe in one area of counterfeiting, film piracy, to illustrate the broader problem of criminal—and perhaps terrorist—groups finding a new and not-much-discussed way of funding their nefarious activities. Although there is less evidence of involvement by terrorists, piracy is high in payoff and low in risk for both groups, often taking place under the radar of law enforcement.

The study was made possible by a grant from the Motion Picture Association (MPA). However, the views expressed herein are those of the authors and do not necessarily reflect the opinions of the MPA. To be sure, the MPA, like other industries afflicted by counterfeiting, has powerful interests in the assessments presented in this report. Those evident stakes required that the authors be especially careful in examining evidence and framing conclusions. The research was conducted and the findings validated independently under the joint auspices of the Center for Global Risk and Security, part of the RAND Corporation's National Security Research Division, and the Safety and Justice Program in RAND Infrastructure, Safety, and Environment.

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South Asia⁷⁷

The case of Dawood Ibrahim, India's godfather of criminal gangs from Bangkok to Dubai, demonstrates the blurring line between crime and terror around the globe. In his early years, Ibrahim's gang, D-Company, pursued the standard crime-syndicate practices of extortion, smuggling, and contract killings.⁷⁸ Since the 1980s, however, Ibrahim and his cohorts have been able to vertically integrate D-company throughout the Indian film and pirate industry, forging a clear pirate monopoly over competitors and launching a racket to control the master copies of pirated Bollywood and Hollywood films.

In 1993, D-Company was transformed into a terrorist organization when it carried out the "Black Friday" Mumbai bombings, an attack that killed more than 257 people and injured an estimated 713.⁷⁹ Later, D-Company developed ties to al Qaeda and the Kashmiri terrorist group, Lakshar-e-Taiyiba (LeT) while its leaders were exiled in Pakistan.⁸⁰ For all these reasons, in 2003, the U.S. Treasury Department Office of Foreign Assets Control (OFAC) added Ibrahim to its terrorist watch list and froze his assets.⁸¹ Shortly thereafter, the United Nations Security Council's al Qaeda and Taliban Sanctions Committee issued a similar order.⁸²

- **Highlight.** This case demonstrates how an existing organized crime group that turned into a terrorist group leveraged rackets in the film industry to vertically expand into piracy.
- **Piracy revenues.** While there are no estimates of D-Company's proceeds from film piracy, the size and sophistication of Ibrahim's counterfeit DVD operation bespeak a highly profitable enterprise.
- **Discovery of piracy.** D-Company was readily able to transition to film piracy through its well established influence in the Bollywood movie industry. The syndicate's Al Mansoor and SADAF brands acquired extraordinary market power in the distribution of pirated films throughout the region.
- **Type of terrorism-piracy link.** While the Northern Ireland terrorist groups aged into pure criminality, this case illustrates the crossing of the line in the opposite direction, as D-Company transformed into an organization not just passively supporting terrorists, but with close links to them.
- **Role of law enforcement.** Indian authorities had been aware of D-Company's film piracy operations in Pakistan since the 1990s but were practically powerless to intervene. Only after 2005, when U.S. Customs seized a large shipment of SADAF-brand counterfeit discs in Virginia, did Pakistani authorities, under a threat of trade sanctions, begin raiding D-Company's duplicating facilities in Karachi.
- **Evidence base.** Much of this case is based on secondary and media sources, although authorities have long been aware of many of D-Company's operations. The U.S. designation of Ibrahim as a terrorist provided and confirmed details about Ibrahim's transformation into terror.

74 Clancy, 2000.

75 Ibid.

76 Brady and Keogh, 2000.

77 See Appendix B, pp. 118–140, for a more detailed description of this case.

78 S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002, p. 25.

79 Anil Singh, "Temkar Street and Two Terrorists," *Times of India*, October 7, 2006.

80 James Robbins, "The Mumbai Blasts," *National Review Online*, July 12, 2006. Available at <http://article.nationalreview.com/?q=MDC5MGNjYmEyYWQ1MmE1Y2NiYzY5ZTBhZmNmZDZmNmU=> (as of October 1, 2008).

81 "U.S. Designates Dawood Ibrahim as Terrorist Supporter," Washington, D.C.: Office of Public Affairs, United States Department of Treasury, October 16, 2003. Available at <http://www.treas.gov/press/releases/js909.htm> (as of September 24, 2008).

82 United Nations Security Council, Security Council Al-Qaida, Taliban Sanctions Committee Approves Changes to Consolidated List, Department of Public Information, July 25, 2006. Available at <http://www.un.org/News/Press/docs/2006/sc8785.doc.htm> (as of September 24, 2008).

Ibrahim systematically recruited gangsters from all neighborhoods of Mumbai and built them into the city's dominant criminal syndicate, the D-Company, which focused on three areas: smuggling goods (gold, silver, electronic products, and textiles), extorting protection money from local business industries (hotels, construction, iron, steel, grain, textiles, and diamond merchants), and vice (gambling and prostitution).⁸³ By the end of the 1980s, Ibrahim was the undisputed underworld "kingpin" of Mumbai.⁸⁴

In 1992, India's trade liberalization policies changed the economics of the gold and silver market and made smuggling less lucrative.⁸⁵ To make up for the losses, Ibrahim sought to diversify his business lines, first taking on narcotics and arms trafficking, then moving his racketeering into the entertainment business. This afforded Ibrahim the double benefit of raising his social status and also enabling him to serve as a loan shark for dozens of producers who desperately needed his funds. Furthermore, D-Company's power increased dramatically as it began to control more facets of the film production process, culminating with piracy.⁸⁶

Over a decade and a half, D-Company vertically integrated into every part of the Indian filmmaking industry. It began with loan-sharking in film production, then progressed into film distribution, home-video manufacturing, and—a natural culmination of its rackets—film piracy. Amid the challenges D-Company endured in this critical period, from 1990 to the late 2000s, film enterprises withstood the test of time as a reliable illicit-revenue stream.

Although India's prolific film industry had been a profit center and cultural icon for decades, it was, surprisingly, not recognized by the government as a legitimate industry until 1998.⁸⁷ This status barred legitimate financial institutions and private investors from financing films. Ibrahim tasked his brother Noora with stepping into this vacuum and providing debt financing to major Indian filmmakers.⁸⁸ The terms assigned to these loans were clearly exploitative.

The next step was moving into distribution. As the Indian diaspora grew, distribution rights became increasingly valuable: Ready audiences developed in the United States, the United Kingdom, and the Gulf States. D-company's seat of power in Dubai allowed it to aggressively seek and control distribution rights for the Gulf countries and Pakistan.⁸⁹ Customs data reveal that the company had a booming export business in Karachi, Pakistan,⁹⁰ and for good reason: All Indian films distributed in Pakistan were pirated, and therefore more profitable, because importing Indian films was illegal.⁹¹

In the process, D-Company gained control of the SADAF Trading Company based in Karachi, which allowed the gang to better organize distribution in Pakistan and, more important, acquire the infrastructure to manufacture pirate VHS tapes and VCDs for sale all over the world.⁹² Still, SADAF's biggest exports were to India, which, due to lax anti-piracy enforcement on the part of Indian authorities, remained an open channel. Bollywood and Hollywood products duplicated at SADAF's plant were readily smuggled into the country via Nepal.⁹³

Once D-Company's control of the production, distribution, and manufacturing/piracy operations was in place, the gang was able to launch a racket to control the masters of most Bollywood and dubbed Hollywood films distributed in India.⁹⁴ This powerful vertical integration provided D-Company a clear monopoly over other competitors. And with various methods of control—including the killing of renegade pirates—D-Company had the wherewithal to demand that pirates obey their terms and timelines of release, or else face retaliation.⁹⁵ From start to finish, D-Company dominated every step of the Indian filmmaking process and so was able to control most of the region's piracy.

83 Zaidi, 2002, p. 25.

84 "Profile of Dawood Ibrahim (2001)," South Asia Terrorism Portal. Available at <http://satp.org/> (as of April 1, 2008).

85 Sumita Sarkar and Arvind Tiwari, "Combating Organised Crime: A Case Study of Mumbai City," *Faultlines*, Vol. 12, 2002. Available at <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm> (as of September 24, 2008).

86 "India's Fugitive Gangster," BBC News, September 12, 2006. Available at http://news.bbc.co.uk/2/hi/south_asia/4775531.stm (as of October 1, 2008).

87 Monika Mehta, "Globalizing Bombay Cinema," *Cultural Dynamics*, Vol. 17, No. 2, 2005, pp. 135–154.

88 Sarkar and Tiwari, 2002.

89 Gilbert King, *The Most Dangerous Man in the World: Dawood Ibrahim: Billionaire Gang-ster, Protector of Osama Bin Laden, Nuclear Black Market Entrepreneur, Islamic Extremist, and Global Terrorist*, New York: Chamberlain Bros., 2004.

90 International Federation of the Phonographic Industry, Pakistan, customs records show-ing multiple shipments of product from Karachi to Al Mansoor as late as 2003.

91 "Pakistan to Show Bollywood Film," BBC News, January 23, 2006. Available at <http://news.bbc.co.uk/2/hi/entertainment/4639216.stm> (as of October 1, 2008).

92 Nishant Bhuse, "D and C Gangs in Rs 100 Cr Piracy," *Mid Day*, June 25, 2005.

93 Nishant Bhuse, "Pak Piracy Firm Offers Rs 1 Cr for Rdb," *Mid Day*, January 30, 2006.

94 This rests on multiple examples of evidence. See Appendix B, pp. XXX-xxx.

95 Bhuse, 2006.

India Excerpt From Appendix Reproduced Below

SOUTH ASIA

The case of Dawood Ibrahim, India's godfather of criminal gangs from Bangkok to Dubai, illustrates the blurring line between crime and terror around the globe. In his early years, Ibrahim operated his gang, D-Company, by standard crime-syndicate practices—extortion, smuggling, and contract killings.⁶⁰⁶ During the 1980s, Ibrahim and his cohorts were able to vertically integrate D-company throughout the Indian film and pirate industry, forging a clear pirate monopoly over competitors and launching a racket that controlled the master copies of pirated Bollywood and Hollywood films.

However, in 1993, D-Company transformed itself into a terrorist organization by orchestrating the “Black Friday” Mumbai bombings, which killed more than 257 people and injured an estimated 713.⁶⁰⁷ Later, D-Company developed ties to al Qaeda and the Kashmiri terrorist group Lakshar-e-Taiyiba (LeT), while its leaders were exiled in Pakistan.⁶⁰⁸ For all these reasons, the U.S. Treasury Department Office of Foreign Assets Control (OFAC) added Ibrahim to its terrorist watch list in 2003 and froze his assets.⁶⁰⁹ Shortly thereafter, the UN Security Council's Al Qaeda and Taliban Sanctions Committee issued a similar order.⁶¹⁰

Criminal Profile: Smuggling, Vice, Extortion

The rags-to-riches story of Dawood Ibrahim's rise to power in the Indian underworld holds within it the precursors for the elements of D-Company's international criminal network. Born the son of a police constable, Ibrahim began his career as a petty criminal on the streets of Mumbai, enjoying an unusual level of protection from his father's connections in law enforcement.⁶¹¹ Dossiers on Ibrahim from India's Criminal Intelligence Bureau indicate that he and his brother Shabbir Ibrahim gradually started stealing and extorting money from local traders, hotel owners, and shopkeepers around Temkar Street in the Nagpada neighborhood of Central Mumbai.⁶¹² They soon progressed to selling smuggled goods in the Mohatta Manish markets.⁶¹³ The Dawood brothers' many run-ins with the law finally landed them in jail during the emergency of 1975–1977, when they, among many others with criminal records, were detained under the Maintenance of Internal Security Act. While in prison, Dawood Ibrahim had the good fortune to come into contact with Haji Mastan and Yusuf Patel, two senior members in the Mumbai underworld, who readily recruited him and his brother as landing agents for a gold- and silver-smuggling business.⁶¹⁴

Ibrahim's power and expertise in the smuggling business increased steadily, and eventually he was in a position to influence Mumbai's entire black market. He met with resistance, however, especially from the Pathan brothers of the Karim Lala gang, who launched a series of attacks against Ibrahim's gang in the early 1980s. The violent street wars were costly for both sides and culminated in the assassination of Shabbir Ibrahim. In reprisal, Dawood Ibrahim swiftly executed Amirzada Pathan.⁶¹⁵ This brazen act cemented Ibrahim's reputation as a formidable mobster. Yet with this heightened profile, he had become a marked man in Mumbai and was subject to indiscriminate arrests by the police.

606 S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002, p. 25.

607 Anil Singh, “Temkar Street and Two Terrorists,” *Times of India*, October 7, 2006.

608 James Robbins, “The Mumbai Blasts,” *National Review Online*, July 12, 2006. Available online at <http://article.nationalreview.com/?q=MDC5MGNjYmEyYWQ1MmE1Y2NiYzY5ZTBhZmNmZDZmNmU=>.

609 U.S. Department of Treasury, U.S. Designates Dawood Ibrahim as Terrorist Supporter, Office of Public Affairs, October 16, 2003. Available online at <http://www.treas.gov/press/releases/js909.htm>.

610 United Nations Security Council, Security Council Al-Qaida, Taliban Sanctions Committee Approves Changes to Consolidated List, Department of Public Information, July 25, 2006. Available online at <http://www.un.org/News/Press/docs/2006/sc8785.doc.htm>.

611 Sumita Sarkar and Arvind Tiwari, “Combating Organised Crime: A Case Study of Mumbai City,” *Faultlines*, 12, June 2002. Available online at <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm>.

612 Sumita Sarkar and Arvind Tiwari, “Combating Organised Crime: A Case Study of Mumbai City,” *Faultlines*, 12, June 2002. Available online at <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm>; Anil Singh, “Temkar street and two terrorists,” *Times of India*, October 7, 2006.

613 The Maintenance of Internal Security Act was a draconian law that gave policing agencies sweeping powers for preventive detention during a period of national emergency. The legislation was enacted in 1973 and was repealed three years later due to widespread controversy.

614 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

615 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

Dawood took refuge in Dubai, U.A.E., which had no extradition treaty with India at the time. There, he had freedom to operate and could control his empire from a safe distance. Systematically, he recruited gangsters, including heavyweights Chota Rajan and Chota Shakeel, from all the neighborhoods of Mumbai and built them into the city's dominant criminal syndicate. D-Company, as they were called, focused on three activities: smuggling goods (gold, silver, electronic goods, and textiles), extorting protection money from local business industries (hotels, construction, iron, steel, grain, textiles, and diamond merchants), and vice (gambling and prostitution).⁶¹⁶ In their efforts, the gang benefited significantly from a liberal bail policy enacted by the Supreme Court in the mid-1980s. With less risk of imprisonment, the gang was emboldened to eliminate hundreds of rival gang members. By the end of the decade, Ibrahim was the undisputed underworld "kingpin" of Mumbai. It was estimated that he had more than 5,000 men under his control operating in Mumbai and in the neighboring state of Uttar Pradesh.⁶¹⁷ By the early 1990s, D-Company's monthly income from its rackets across all sectors topped \$5 million.⁶¹⁸

In 1992, the trade liberalization policies of the government of India changed the economics of the gold and silver market and made smuggling less lucrative. To make up for the losses, Ibrahim sought to diversify his earnings. First, D-Company repurposed its smuggling infrastructure to take on narcotics and arms trafficking. Second, Ibrahim became increasingly reliant on his rackets in Mumbai and moved into the entertainment business. As discussed at length in the case below, this unregulated sector was a prime area of business, providing Ibrahim with the double benefit of raising his social status and extorting money from dozens of producers who desperately needed his funds. Furthermore, D-Company's power increased exponentially as it began to control more aspects of the film production process, culminating in the pirating of films.

Ibrahim also directed his brothers to diversify the business by launching several legitimate enterprises in Dubai and India. These included significant investment stakes in real-estate development ventures, shopping centers, and hotels. Authorities estimate that at its peak, Ibrahim's annual revenue from his licit businesses exceeded \$500 million.⁶¹⁹

Terrorism Profile: Domestic Terrorism, Al Qaeda, LeT

From its inception, D-Company drew its strength from a broad federation of criminal groups. Its structure, therefore, necessitated a secular design to include recruits from both Hindu and Muslim communities.⁶²⁰ But in the early 1990s, the gang's Muslim leaders underwent a process of radicalization that turned D-Company into the terrorist organization it is known as today.

The seeds of this transformation were sown in the schism that developed throughout Indian society after the destruction of the Babri Masjid Mosque by a mob of Hindu fundamentalists on December 6, 1992. Outraged Muslims took to the streets in protest. Weeks of riots spread across the country, killing thousands. Mumbai was hit with two waves of violence, one in December 1992 and another in January 1993. The official government report of the incident states that an estimated 900 people died. The Muslim quarter, where D-Company had begun and from which it drew its strength, was one of the hardest hit areas. Many members of the community were outraged that Ibrahim appeared indifferent to the violence and failed to act to protect them. This disappointment fomented anger, as many of Ibrahim's closest allies began to question his leadership.⁶²¹

616 S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002, p. 25.

617 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

618 S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002, p. 25.

619 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

620 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

621 S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002, p. 21.

By the time of the second riots, Ibrahim was galvanized into action and worked with his chief lieutenants to arrange for relief supplies and arms for his constituents. But many D-Company members believed he had not gone far enough in retaliation for the government's strong-arm tactics against Mumbai's Muslims. Extensive media accounts also point to the role of Pakistan's Inter Services Intelligence (ISI) organization, which was eager to exploit the opportunity to cause unrest in India.⁶²² Indian authorities allege that the ISI, having had a tacit alliance with D-Company on smuggling, demanded that Ibrahim help organize a plot for a series of retaliatory terrorist attacks in Mumbai.⁶²³

The confession of Mohammed Phanse, an associate of Tiger Memom, provides a window into D-Company's private deliberations during this time.⁶²⁴ While initially resistant to the plan, Ibrahim was not left with many options. There was widespread support for the ISI proposal among D-Company's leaders, including Dawood Ibrahim's brother Anees Ibrahim and his chief lieutenant, Abdul Razzar "Tiger" Memon. Most important, it was essential to preserve D-Company's privileged status in Pakistan given that the ISI, among other military and government agencies, provided D-Company's smugglers critical access to Pakistani waters.⁶²⁵ With little choice, Dawood Ibrahim heeded the call to action, and within two weeks his operatives had smuggled explosives and weapons into Mumbai ready for use.⁶²⁶ He is also believed to have financed most of the plot's \$500,000 cost.⁶²⁷

The attack was launched on March 12, 1993. For two hours, Mumbai was rocked with 13 bombing and grenade attacks throughout the city. It was the worst act of terrorism in the country's recent history. Investigations implicated many of D-Company's members and Ibrahim's personal associates in Mumbai. The most famous of these was Bollywood star Sanjay Dutt, who confessed to having stored weapons in his car at Ibrahim's behest but insisted that he did not know they would be used for the carnage that followed. Dutt was convicted of illegal possession of firearms in 2006 but was released on bail pending his appeal of a six-year jail term.⁶²⁸ A review of a primary document of Dutt's confessional statement confirms his association with Ibrahim during the early 1990s.⁶²⁹

Overnight, Ibrahim became India's most wanted criminal, and for protection he relocated to Karachi, Pakistan—with a backdated passport and a well-guarded residence in the posh Clifton enclave.⁶³⁰ Indian intelligence agencies insist that Pakistan's ISI played an instrumental role in securing a sanctuary for Ibrahim in Karachi,⁶³¹ and U.S. Treasury officials have gone on record to support this account.⁶³² Although the Pakistani government continues to deny that Ibrahim resides in the country, an Interpol notice on his arrest lists his last known address in Clifton, and his most recent passport was issued by Pakistan.⁶³³ Furthermore, articles published in the Pakistani press in 2001 and 2003 profile his lavish lifestyle in Karachi.⁶³⁴

622 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 29.

623 "Dawood organised 1993 blasts under ISI pressure," *The Indian Express*, December 22, 2002. Available online at <http://ushome.rediff.com/news/2002/dec/22isi.htm> (accessed September 3, 2008).

624 Marika Vicziary, "Understanding the 1993 Mumbai Bombings: Madrassas and the Hierarchy of Terror," *Journal of South Asian Studies*, 30, 1, April 2007, pp. 43–73.

625 "Dawood Ibrahim organized Mumbai blasts in return for use of Pakistani waters, says report," *South Asia Terrorism Portal*, December 23, 2002. Available online at <http://www.satp.org>.

626 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 29.

627 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 29.

628 Girish Rao, "Bollywood hails Dutt's brief reprieve," *Rediff News*, August 20, 2007. Available online at <http://inhome.rediff.com/movies/2007/aug/20dutt.htm> (accessed August 27, 2008).

629 Mumbai Police, primary document: Sanjay Dutt Confession to His Role in the Black Friday Attacks, taken on April 26, 1995 before Shri Krishnan Lal Bishnoi, Dy Commander of Police Zone III, Bombay, obtained November 10, 2006; for piracy links to Magnum Video, see Seema Sinha, "Underworld looms large over Bollywood," *Indian Express (Bombay)*, April 22, 1993.

630 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 30.

631 Bhupan Patel, "Dawood finds new home after blasts," *Mid-Day (India)*, July 21, 2003; John Wilson, "Dawood's ISI links could trouble Musharraf," *ORF Strategic Trends I*, 5, November 4, 2003. Available online at <http://www.observerindia.com/cms/sites/orfonline/modules/strategictrend/StrategicTrendDetail.html?cmaid=1449&mmacmaid=1450&volumeno=1&issueno=5> (accessed September 3, 2008).

632 "Hunting for India's 'most wanted,'" *Jane's Intelligence Review*, December 7, 2005.

633 "Interpol-United Nations Security Council Special Notice," Interpol notice. Available online at http://www.interpol.int/public/Data/NoticesUN/Notices/Data/1993/93/1993_14193.asp (accessed September 3, 2008).

634 Ghulam Hasnain, "Portrait of a Don," *Newsline*, September 2001. Available at <http://www.newsline.com.pk/NewsSept2001/coverstory2.htm> (accessed September 3, 2008); FBIS, Report ID SAP2003112800023, "Catch me if you can," *Karachi Herald*, November 28, 2003.

Despite restrictions on his freedom of movement, Ibrahim was able to easily resume business activities in Pakistan, and he began a successful campaign to dominate Karachi's real-estate market. His brother Anees continued to operate with impunity and maintained D-Company's investments in Dubai, which included the formation of Al-Mansur and Kings Video, two home-video distribution companies that would help exploit D-Company's film investments and ultimately serve as a platform for controlling piracy in the region.⁶³⁵

At the middle level of D-Company, the Mumbai bombings were far more destabilizing. Ibrahim's new terror agenda divided the gang along ethnic lines and unraveled the unity that had forged its hegemony. Under the leadership of Chota Rajan, most of the Hindu members defected and joined him to form an 800-member competing gang.⁶³⁶ In the ensuing years, Rajan conducted his own summary vengeance by targeting the 90 D-Company members who were out on bail facing charges for their involvement in the attacks.⁶³⁷ It is an open secret that India's foreign intelligence agency, the Research and Analysis Wing (RAW), cultivated a relationship with Rajan precisely to create a counterbalancing force against Ibrahim and to provoke the internecine conflict that erupted in the mid-1990s between the gangs.⁶³⁸ In 1996 alone, the gang warfare claimed 52 lives.⁶³⁹

The Mumbai bombings also created a heated rivalry inside D-Company between lieutenants Chota Shakeel and Abu Salem. This period was marked by increased levels of intimidation and violence within D-Company's rackets as each division sought to gain control. As the cases below describe, this was particularly evident in Bollywood, where Abu Salem's enforcement measures often resulted in death. By the end of the 1990s, however, the Mumbai police stepped up counter-organized-crime efforts and were able to drive out Chota Shakeel, who fled to Karachi, where he and Ibrahim started to take control of Karachi gangs, much as they had done in Mumbai. In 2000, they gave their patronage to two rival gangs (led by Shoaib Khan and Ibrahim Bhooloo) in a divide-and-conquer strategy that sparked a gang war on the streets of Karachi. In the first eight months of 2001, the battle claimed more than 80 lives and prompted the ISI's involvement to resolve it.⁶⁴⁰ As the Pakistani government reminded its "guests," there were limits to what it would tolerate.⁶⁴¹

Ibrahim's ambitions in Pakistan, however, extended beyond the streets of Karachi. With the support of the ISI, D-Company built considerable interests in the narcotics business by sidelining the ethnic Pushtun groups that had traditionally controlled the flow of drugs from Afghanistan.⁶⁴² It has been reported that Ibrahim even traveled to Afghanistan under the protection of the Taliban in the late 1990s.⁶⁴³ Once he gained access to the Afghan-Pakistan route, his smuggling network carried heroin and other narcotics to regional markets and international destinations in the United Kingdom and Western Europe.⁶⁴⁴

According to OFAC, Ibrahim's connections into and out of Afghanistan paved the way for an agreement with al Qaeda to provide Osama bin Laden access to D-Company's pervasive smuggling routes in South Asia, the Middle East, and Africa.⁶⁴⁵ The U.S. Drug Enforcement Agency has pursued this lead aggressively, but neither they nor any open sources have confirmed or qualified this intelligence since designating Ibrahim a "foreign narcotics kingpin" in June 2006.⁶⁴⁶ An alternative explanation has been proposed, i.e., that Ibrahim is not intricately involved in narcotics, but rather "sublets" his name to existing narcotics groups across the region. In turn, these franchises might have offered the short-term relationships with al Qaeda.⁶⁴⁷

635 Profile of Dawood Ibrahim, South Asia Terrorism Portal, 2001. Available online at <http://satp.org/>.

636 Sumita Sarkar and Arvind Tiwari, "Combating Organised Crime: A Case Study of Mumbai City," *Faultlines*, 12, June 2002. Available online at <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm>.

637 Praveen Swami, "Mumbai's Mafia wars," *Frontline*, March 27 – April 9, 1999.

638 Syed Saleem Shahzad, "Underworld strife boils over," *Asia Times Online*, July 16, 2003.

639 Praveen Swami, "Mumbai's Mafia wars," *Frontline*, March 27 – April 9, 1999.

640 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 33.

641 Ghulam Hasnain, "Karachi's Gang Wars," *Newsline*, September 2001. Available online at <http://www.newsline.com.pk/NewsSept2001/coverstory1.htm>.

642 Praveen Swami, "Disappearing Act," *Frontline*, February 15, 2002.

643 U.S. Department of Treasury, "U.S. Designates Dawood Ibrahim as Terrorist Supporter," Office of Public Affairs, October 16, 2003. Available online at <http://www.treas.gov/press/releases/js909.htm>.

644 David E. Kaplan, "Paying for Terror," *U.S. News and World Report*, November 27, 2005.

645 U.S. Department of Treasury, "U.S. Designates Dawood Ibrahim as Terrorist Supporter," Office of Public Affairs, October 16, 2003. Available online at <http://www.treas.gov/press/releases/js909.htm>.

646 "United States President Declares Dawood Ibrahim as Foreign Narcotics Kingpin," *South Asia Intelligence Review*, June 5, 2006.

647 Syed Saleem Shahzad, "Dawood: 'War on Terror' Takes a Strange Turn," *Asia Times*, October 22, 2003. Available online at http://www.atimes.com/atimes/South_Asia/EJ22Df07.html.

Ibrahim's other interface with al Qaeda comes through their shared support for the ISI-backed terrorist group Lashkar-e-Taiba (LeT), the militant wing of the Markaz-ad-Da'awa Wal-Irshad (MDI) madrassa. Osama bin Laden helped pay for the construction of MDI's expansive Lahore campus, including a small guest house which served as a hideout for Ramzi Yousef, the mastermind of the 1993 World Trade Center bombing.⁶⁴⁸ Bin Laden also addressed several annual conventions of the MDI via teleconference in the late 1990s.⁶⁴⁹

LeT's objectives are to institute a "theocratic order in Pakistan" and to continue to agitate struggles in the Kashmir that will trigger a "religious revolution across the Indian state."⁶⁵⁰ The ISI actively promoted LeT's Kashmiri campaign as part of an overall strategy of offsetting Pakistan's power asymmetries with India through a prolonged "war of a thousand cuts."⁶⁵¹ However, in its founder's own words, "Kashmir is only our base camp. The real war will be inside India as we consider Himachal Pradesh (India) as the door to Jihad in India. Very soon we will enter India via Doda and unfurl the Islamic flag on Red Fort (New Delhi)".⁶⁵² To this end, LeT is believed to be responsible for a series of terrorist attacks within India. Major actions from the last three years include the October 29, 2005, serial bombings in Delhi (in which 62 civilians were killed), the Varanasi attack on March 7, 2006 (in which 21 civilians were killed), and the 7/11 Mumbai bombings on July 11, 2006 (in which 200 civilians were killed).⁶⁵³

While there is no evidence of any "concerted" ties between al Qaeda and LeT in the Kashmiri campaign, it is evident that the groups have established a tactical relationship in the activities of training and recruitment.⁶⁵⁴ Indian intelligence reports suggest that LeT has three terrorist training courses that range from 21 days to 60 days. Although 80 percent of LeT's members are Pakistanis, its training enrollment has been open to different terrorist organizations, including al Qaeda.⁶⁵⁵ British intelligence officials have found evidence that several of the suspects in the July 2005 bombings sought training at LeT camps. And more recently, LeT has been implicated in recruiting and training jihadists to fight coalition forces in Iraq.⁶⁵⁶ In naming Ibrahim to its watch list, OFAC stated that D-Company's relationship with LeT is fiscal.⁶⁵⁷ But it appears that the relationship is also operational, with D-Company exploiting LeT's training opportunities. For instance, in March 1999, Chota Shakeel used an aide to a top LeT lieutenant to carry out an attack on the former mayor of Mumbai.⁶⁵⁸ An Interpol report cites the Anees Trading Company, a D-Company shell operation, as a front for luring unemployed young recruits to LeT's terrorist training camps.⁶⁵⁹

648 B. Raman, "Markaz Dawa Al Irshad: Talibanisation of Nuclear Pakistan," South Asia Analysis Group, n.d. Available online at <http://www.southasiaanalysis.org/%5Cpapers%5Cpaper6.html>.

649 Lashkar-E-Toiba, South Asia Terrorism Portal. Available online at http://www.satp.org/satporgtp/countries/india/states/jandk/terrorist_outfits/l_ashkar_e_toiba.htm.

650 Angel Rabasa et al., *Beyond Al Qaeda. Part 1: The Global Jihadist Movement*, Santa Monica, Calif.: RAND Corporation, MG-429-AF, 2006, p. 85.

651 Angel Rabasa et al., *Beyond Al Qaeda. Part 1: The Global Jihadist Movement*, Santa Monica, Calif.: RAND Corporation, MG-429-AF, 2006, p. 84.

652 Hafiz Mohammad Saeed, quoted in "Pakistani Terrorists Threaten to Unfurl Flag at Red Fort," *The Sword of Truth*, December 14, 1999.

653 Lashkar-E-Toiba, South Asia Terrorism Portal. Available online at http://www.satp.org/satporgtp/countries/india/states/jandk/terrorist_outfits/l_ashkar_e_toiba.htm.

654 Angel Rabasa et al., *Beyond Al Qaeda. Part 1: The Global Jihadist Movement*, Santa Monica, CA: RAND Corporation, MG-429-AF, 2006, p. 88.

655 Lashkar-E-Toiba, South Asia Terrorism Portal. Available online at http://www.satp.org/satporgtp/countries/india/states/jandk/terrorist_outfits/l_ashkar_e_toiba.htm.

656 Angel Rabasa et al., *Beyond Al Qaeda. Part 1: The Global Jihadist Movement*, Santa Monica, Calif.: RAND Corporation, MG-429-AF, 2006, p. 88.

657 U.S. Department of Treasury, "U.S. Designates Dawood Ibrahim as Terrorist Supporter," Office of Public Affairs, October 16, 2003. Available online at <http://www.treas.gov/press/releases/js909.htm>.

658 Praveen Swami, "Disappearing Act," *Frontline*, February 2–15, 2002.

659 John Wilson, *Karachi, a Terror Capital in the Making*, New Delhi: Rupa & Co., 2003, p. 34.

As pressure began to mount against Ibrahim and his empire, his connections with LeT became essential for convincing his protectors at the ISI to keep him safe in Karachi. Indeed, after 2003, his future became far more uncertain. That year, 26 members of his gang, including his brothers Noora and Mustaqim, were taken into custody in Dubai, and a top lieutenant was killed by rival Chota Rajan.⁶⁶⁰ The following year, Abu Salem was extradited back to India to face charges for his role in the 1993 Mumbai bombings. His confessions implicated D-Company in the attack in far greater detail, and conveniently, Salem pegged most of the blame on his archrival Chota Shakeel.⁶⁶¹ Finally, in the fluid political environment in Pakistan, the ISI informed Ibrahim that it were less certain of maintaining the power to keep him safe.⁶⁶² Although Pakistani Premier Pervez Musharraf consistently denied that Ibrahim was even in the country, the ISI warned Ibrahim that if relations between India and Pakistan improved, it would have trouble refusing his extradition. The ISI officials advised him to simply “lay low.”⁶⁶³

Press accounts at the time of this writing indicate that D-Company has withstood the pressure by undergoing a critical restructuring. In 2007, Dawood Ibrahim downgraded both Anees Imbrahim and Chota Shakeel in order to repossess day-to-day management of the syndicate.⁶⁶⁴ And at the end of March 2008, Indian intelligence analysts made the groundbreaking announcement that D-Company and LeT had “merged.” While details are sparse, the move was apparently taken to placate the ISI, whose leadership increasingly saw patronage to D-Company as a liability.⁶⁶⁵ Evidence of the merger has been demonstrated in the growing acceptance of the teachings of the radical Ahle Hadees sect among D-Company’s lower ranks. According to credible Indian intelligence sources, these religious tenets have supplanted the profit motives of many D-Company members: “They are no more fighting for money, but for a larger cause which guarantees them a place in heaven.”⁶⁶⁶

While it is too early to tell if the merger will hold, if it does, Ibrahim will have completed the final step in a 15-year transformation of his organized-crime gang into a terrorist organization. As analysts note, gang members will increasingly be indoctrinated with religion and will have the opportunity to attend LeT camps to morph themselves into terrorists. Past scholarly analysis has noted that despite the evident strategic opportunity in a merger, Ibrahim is not the ideal leader for a group adhering to the conservative ideology of Ahle Hadees. Marika Vicziany has argued that Ibrahim’s personal Sufi leanings are incompatible with Salafist terrorist groups such as LeT and al Qaeda and would place a limit on the authenticity of his leadership.⁶⁶⁷

There is, nonetheless, sufficient evidence to suggest that at least for now, LeT has looked past these issues to gain access to Ibrahim’s robust network. In a merger, LeT would be able to directly leverage D-Company’s core strength in smuggling, its commercial empire, its unique ability to attract recruits, and, most important, its vast network in the Indian mainland.⁶⁶⁸ Hence the final contours of Ibrahim’s hybrid terrorism-crime organization will be complex. One thing, however, is for sure: Ibrahim’s criminal enterprises have a strong foundation, and they cover the entire South Asia region.

The following case presents a picture of D-Company’s vertical integration into every part of the Indian film-making industry. D-Company began with extortion in film production and then progressed into film distribution, home-video manufacturing, and, as a natural culmination of their rackets, film piracy. Amid the challenges that D-Company endured in this critical 17-year period (1990–2007), its film enterprises withstood the test of time as a reliable illicit revenue stream.

660 Ajai Sahni, “The Crime-Terror Nexus, Again,” *South Asia Intelligence Review*, February 10, 2003. Available online at www.satp.org/satporgtp/sair/.

661 Anupama Katakam, “In India at last,” *Frontline*, November 19 – December 2, 2000.

662 “Dawood Ibrahim Lying Low in Islamabad,” *India Defence Reports*, November 21, 2005. Available online at <http://www.india-defence.com/reports/914>

663 “Dawood Ibrahim Lying Low in Islamabad,” *India Defence Reports*, November 21, 2005. Available online at: <http://www.india-defence.com/reports/914>, April 1, 2008.

664 S. Balakrishnan, “Dawood clips Anees’, Shakeel’s wings,” *Times of India*, February 10, 2007.

665 S. Balakrishnan, “Lashkar takes over D-Company,” *Times of India*, March 28, 2008.

666 S Balakrishnan, “Post merger with Lashkar, Dawood’s men change sect,” *Times of India*, March 30, 2008.

667 Marika Vicziany, “Understanding the 1993 Mumbai Bombings: Madrassas and the Hierarchy of Terror,” *Journal of South Asian Studies*, 30, 1, April 2007, pp. 43–73.

668 S. Balakrishnan, “Lashkar takes over D-Company,” *Times of India*, March 28, 2008.

Production-Level Extortion

D-Company moved into the entertainment industry in the late 1980s to cultivate a more acceptable social image, to expand its rackets, and to find new vehicles for laundering money. Grainy videos have surfaced of major Indian film actors and playback artists fraternizing with Ibrahim at lavish parties he hosted at his mansion in Dubai.⁶⁶⁹ A primary document of Bollywood star Sanjay Dutt's confession reveals that both Ibrahim and his brother Anees had extensive relationships in the film community at every level of the business.⁶⁷⁰ They began at the production level, focusing their control on the financing and production of new films.

Although India's prolific film industry had been a profit center and cultural icon for decades, it was, surprisingly, not recognized by the government as a legitimate industry until 2001.⁶⁷¹ This status barred legitimate financial institutions and private investors from financing films. Ibrahim tasked his brother Noora to step into this vacuum and provide debt financing to major Indian filmmakers.⁶⁷² The terms they assigned to these loans were clearly exploitative. Producers were expected to pay interest rates as high as 50 percent, and as the syndicate's profile in the industry grew, leading actors, directors, and producers were expected to conform to D-Company's ideas about content, casting, and scheduling.⁶⁷³ To ensure that all the individuals in the racket remained faithful, D-Company made sure that the production crew on each film hired multiple reliable informants who would report back to D-Company superiors on the progress of the film.⁶⁷⁴

After the Mumbai bombings, it took several years for D-Company to regain control of its territory and to reinstate its rackets in the entertainment business.⁶⁷⁵ During that time, government trade liberalization programs had stimulated the economy and by the mid-1990s had created an urgent need for Bollywood's old enforcers to step in to mediate disputes and to ensure that directors and talent held to their shooting schedules. Two of D-Company's trusted lieutenants, Chota Shakeel and Abu Salem, both fugitives because of their role in the Mumbai bombings, used their networks in Mumbai to render the industry efficient again and at the same time to return as "overlords of a brutal system of extortion and enforcement."⁶⁷⁶

From the start, Chota Shakeel and Abu Salem were fierce, and ultimately deadly, internal rivals. Shakeel worked from Dubai at the behest of Anees Ibrahim and was able to leverage D-Company's full spectrum of resources with ease. Meanwhile, Abu Salem and his men were more independent and received only tacit patronage from Dawood Ibrahim. Salem and Shakeel's competitive stance precipitated a more systematic and powerful presence of D-Company in Bollywood throughout the 1990s. Their violent competitiveness led not only to them fighting each other to control rival Bollywood stars, but also to ultimately tearing apart the unity of D-Company's ranks.⁶⁷⁷ The timing could not have been worse, with Chota Rajan already driving Hindu-member defections from D-Company to his competing gang after the Mumbai bombings.

Salem moved fast and formed a new gang, with the assistance of his manager, Salim Mulla (killed in 2003), and dynamic "youngsters" Mohd Akmal (alias Guddu), Abdul Rahim Sheikh, Avesh Siddique (alias Papu), Rajesh Arjun Hatalkar, and Arif Ansari (alias Papa).⁶⁷⁸ Beginning in 1994, they waged an aggressive attack on various film personalities to get them to heed the gang's control. According to the anti-extortion cell of the Mumbai police, the apex of D-company's extortion racket was reached in 1998, when the gang was linked to some 121 extortion cases.⁶⁷⁹ A "hit list" of their most prominent attempted and successful assassinations is reproduced in Figure B.5.

669 "India's fugitive gangster," BBC News, September 12, 2006. Available online at http://news.bbc.co.uk/2/hi/south_asia/4775531.stm.

670 Mumbai Police, primary document: Sanjay Dutt Confession to His Role in the Black Friday Attacks, taken April 26, 1995, before Shri Krishnan Lal Bishnoi, Dy Commander of Police Zone III, Bombay (obtained November 10, 2006).

671 Gilbert King, *The Most Dangerous Man in the World: Dawood Ibrahim: Billionaire Gangster, Protector of Osama Bin Laden, Nuclear Black Market Entrepreneur, Islamic Extremist, and Global Terrorist*, New York: Chamberlain Bros., 2004.

672 Sumita Sarkar and Arvind Tiwari, "Combating Organised Crime: A Case Study of Mumbai City," *Faultlines*, 12, June 2002. Available online at <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm>.

673 "Indian film industry welcomes police crackdown on Mafia," *Agence-France Presse*, December 18, 2000.

674 Nishant Bhuse, "Crime Dispatch," *Mid Day*, July 12, 2005; Gilbert King, *The Most Dangerous Man in the World: Dawood Ibrahim: Billionaire Gangster, Protector of Osama Bin Laden, Nuclear Black Market Entrepreneur, Islamic Extremist, and Global Terrorist*, New York: Chamberlain Bros., 2004; S. Hussain Zaidi, *Black Friday: The True Story of the Bombay Bomb Blasts*, New Delhi and New York: Penguin Books, 2002.

675 Praveen Swami, "Life on the Dark Side of Crime," *Frontline*, December 3–16, 2005.

676 Praveen Swami, "Life on the Dark Side of Crime," *Frontline*, December 3–16, 2005.

677 Gilbert King, *The Most Dangerous Man in the World: Dawood Ibrahim: Billionaire Gangster, Protector of Osama Bin Laden, Nuclear Black Market Entrepreneur, Islamic Extremist, and Global Terrorist*, New York: Chamberlain Bros., 2004.

678 Nishant Bhuse, "Crime Dispatch," *Mid Day*, July 12, 2005.

679 P. Jayaram. "Bollywood emerges from don's shadow," *The Straits Times* (Singapore), June 18, 2005.

Figure B.5

Abu Salem Bollywood “Hit List”

Attempted and Successful Assassinations 1994–2002				
June	8,	1994	–	Javed Riyaz Siddique (producer) shot dead
July	1,	1994	–	Firoze Khan (director) survived
March	7,	1998	–	Mukesh Duggal (producer and director) shot dead
July	31,	1998	–	Rajiv Rai (director) survived
August	12,	1998	–	Gulshan Kumar (music baron, T-series) shot dead
August	15,	1999	–	Munnalal Kesharwani (associate G. Kumar) shot dead
December	15,	1999	–	Anil Thandani (film distributor) survived
December	21,	1999	–	Manmohan Shetty (lab owner and producer) survived
January	21,	2000	–	Rakesh Roshan (director and producer) survived
February	14,	2001	–	Dinesh Anand (actor and producer) shot dead
June	30,	2001	–	Ajit Dewani (secretary and producer) shot dead
July	4,	2002	–	Lawrence D’Souza (producer and director) survived

SOURCE: Nishant Bhuse, “Crime Dispatch,” Mid Day, November 24, 2005.

Distribution-Level Extortion

When major Bollywood films completed production, the rights for their distribution overseas were put up for auction by territory. As the Indian diaspora grew, these rights became increasingly valuable, with ready audiences in the United States, the United Kingdom, and the Gulf states. D-company’s seat of power in Dubai allowed it to aggressively seek and control distribution rights for the Gulf countries and Pakistan.⁶⁸⁰ The most prominent of the distribution companies, Al Mansoor, was based in Dubai. According to confessions of D-Company leader Salim Kurla, the company was created by Anees Ibrahim in the early 1990s to control theatrical and home-video distribution of Indian films in Pakistan.⁶⁸¹ Customs data reveal that the company had a booming export business in Karachi, Pakistan,⁶⁸² for good reason: All Indian films distributed in Pakistan were pirated—and necessarily more profitable—because the countries had no formal treaty.⁶⁸³

The narrative of Al-Mansoor’s growth is well known to credible police officers who have studied D-Company. The first managers of Al-Mansoor were close associates of Chota Shakeel. Most notable was M. Khatri, who moved from Chota Shakeel’s video library in central Mumbai to open the home-video operations of Al-Mansoor in Dubai. The theatrical operations were started by Ahmad Golchin and two other partners. Together, this cadre moved to dominate not only Pakistan, but the entire region. As the Gulf territories became increasingly profitable, Al-Mansoor’s first-mover advantage in Dubai enabled it to accomplish this. Through intimidation and by asserting the plain fact of its monopoly, Al-Mansoor became an essential part of any film’s distribution abroad, and it moved forcefully to ensure that few Indian distribution companies ever gained a significant presence beyond their borders.⁶⁸⁴

680 “Can Bollywood Beat the Mob?” Businessweek Online, February 14, 2000. Available online at http://www.businessweek.com/2000/00_07/b3668162.htm; Gilbert King, *The Most Dangerous Man in the World: Dawood Ibrahim: Billionaire Gangster, Protector of Osama Bin Laden, Nuclear Black Market Entrepreneur, Islamic Extremist, and Global Terrorist*, New York: Chamberlain Bros., 2004.

681 “General and skeletons make Dubai cave in,” Yahoo News, December 23, 2002. Available online at <http://in.news.yahoo.com/021222/58/1zf1a.html>.

682 IFPI of Pakistan, “Primary Evidence of Customs Documents Showing Multiple Shipments of Product from Karachi to Al Mansoor as Late as May 2004,” Received October 23, 2006.

683 “Pakistan to show Bollywood film,” BBC News, January 23, 2006. Available online at <http://news.bbc.co.uk/2/hi/entertainment/4639216.stm>.

684 Facts independently confirmed by MPA through three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

In later years, D-Company rival/enemy Chota Rajan used his growing influence in Bollywood, along with direct threats, to pressure Al-Mansoor's owners to split the company. Rajan's lieutenant, Vicky Malhotra (arrested on July 11, 2005), was the key interlocutor for Rajan in Bollywood.⁶⁸⁵ Through Rajan's and Malhotra's influence, Golchin and his partners formed the Gulf Films Company, which quickly legitimized its business practices and moved away from organized crime. The orphaned home-video operations of Al-Mansoor pulled back further to remove the company from Pakistan and focus on the Gulf region.⁶⁸⁶ In the vacuum, Chota Shakeel used his new-found patronage with Anees to establish Kings Video, a company that dominated Indian home video in the Gulf region until it was shut down in 2005.⁶⁸⁷

Beyond industry and police accounts, what is known about D-Company's control of the foreign distribution rights for films comes from an investigation into diamond merchant and film financier Bharat Shah. Police began investigating Shah in December 2000, primarily for his role in financing a major Bollywood film on behalf of Chota Shakeel. Shah, a well-connected businessman, was undeterred by the investigations until police confronted him with taped conversations they had recorded of his discussions with Ibrahim and Shakeel.⁶⁸⁸ In one conversation with Shakeel, he discussed how he would exploit the rights to a film through D-Company's expansive investments in film distribution.⁶⁸⁹ Although Shah maintained his innocence and challenged the constitutionality of the wiretaps, made under the Maharashtra Control of Organised Crime Act (MCOCA), on September 1, 2008, the Supreme Court of India upheld the act and cleared the way for Shah's trial to proceed.⁶⁹⁰

Manufacturing/Piracy Extortion

After D-Company's theatrical and home-video operations became established, Anees Ibrahim and Chota Shakeel gained a controlling interest in the Sadaf Trading Company, based in Karachi. The operation allowed them to better organize distribution in Pakistan and, most important, to acquire the infrastructure to manufacture pirate VHS tapes and VCDs for sale in Pakistan and all over the world.⁶⁹¹

Exports of Sadaf product skyrocketed throughout the 1990s. Investigators revealed that in 2003 and 2004, Pakistani pirate products (largely produced by Sadaf) were being shipped to more than 46 countries.⁶⁹² Large concentrations of these shipments headed to an American, a Mr. Faruk, who was raided by a joint task force of agents from the FBI and U.S. Customs working out of Virginia. The case proved to be the tipping point for better cooperation between the Pakistani and U.S. governments on anti-piracy issues in the Middle East.⁶⁹³

Still, Sadaf's largest exports were to India, which, due to lax anti-piracy enforcement by Indian authorities, remained an open channel. Bollywood and Hollywood products made at Sadaf's plant were readily smuggled into the country via Nepal.⁶⁹⁴ At the height of the company's success, disc replication and burning machines were too expensive for the average pirate. Thus, the name brand of the pirated Sadaf product grew to have strong recognition among pirate consumers. Therefore, even when some Sadaf importers shifted away from Pakistan to create independent burning labs in India, they still used the Sadaf logo and affixed it to their product to attract consumers loyal to the brand. The most famous among these breakaway pirates is Vikram Jain, who still uses the Sadaf logo despite having no formal connection to D-Company.⁶⁹⁵

685 Nishant Bhuse, "Crime Dispatch," *Mid Day*, April 4, 2006.

686 Facts independently confirmed by MPA through three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

687 Dalip Singh, "CBI taps Dubai for arrest news," *The Telegraph* (Calcutta, India), February 05, 2003, Available online at http://www.telegraphindia.com/1030205/asp/nation/story_1640311.asp (accessed September 3, 2008) and Pakistan IFPI office, "Primary evidence of Customs documents showing Multiple Shipments of Product from Karachi to King's Video as late as May 2004," Received October 23, 2006.

688 Anpuama Katakam, "An acquittal in Mumbai," *Frontline*, October 11–24, 2003.

689 Anpuama Katakam, "An acquittal in Mumbai," *Frontline*, October 11–24, 2003.

690 Wire report, "SC clears decks for Bharat Shah's prosecution," *The Statesman* (India) September 1, 2008. Available online at <http://www.thestatesman.net/page.arcview.php?clid=2&id=247200&usrssess=1> (accessed September 3, 2008).

691 Nishant A Bhuse, "D and C gangs in Rs 100 Cr Piracy," *Mid Day*, June 25, 2005.

692 Khalid Mustafa, "April 30th cut-off date: Pakistan likely to face US trade sanctions," *Daily Times*, March 15, 2005.

693 Pakistan IFPI office, Primary evidence of Customs documents Showing Multiple Shipments of Product from Karachi to USA, Received October 23, 2006.

694 Nishant A Bhuse, "Pak piracy firm offers Rs 1 Cr for Rdb," *Mid Day*, January 30, 2006.

695 Facts independently confirmed by MPA through three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

In a series of raids conducted in May 2005, Pakistani authorities discovered three known Sadaf factories in Karachi. The first two are headed by active partners Khalid Jan Mohammad and Mohammad Ghulam. The third is AMIN Private Ltd (a subcontractor for Sadaf), with active partners Mohammad Amin Motiwala, Zubair Amin Motiwala, and Abdul Jabbar Motiwala.⁶⁹⁶ These factories have come under suspicion by the FBI for possible terrorism financing and material support for terrorism. This includes allegations that they are manufacturing jihadi propaganda and are possibly serving as money-laundering facilities for LeT and the Markza-ud-dawa Foundation.⁶⁹⁷

The Masters Racket

Once the three elements of D-Company's operations (control of production, distribution, and manufacturing/piracy) were in place, the gang was able to launch a racket to control the masters for most Bollywood and dubbed Hollywood films distributed in India. This powerful vertical integration provided D-Company a clear monopoly over other competitors. And with various methods of control, D-Company had the wherewithal to demand that pirates obey its terms and timelines of release or else face retaliation.⁶⁹⁸ From start to finish, D-Company dominated every step of the film-making process. Hence it was able to control most of the region's film piracy.

Several examples from around South Asia illustrate D-Company's control of the masters racket as the technology for creating high-quality pirate masters evolved.

Dubai/Pakistan

D-Company exploited Al-Mansoor's and King Video's position as overseas distributors in Dubai to receive prints on the Monday or Tuesday before a film's official theatrical release. The prints were then converted into high-quality digital masters and sent to India and all over the world. If all went well, pirate VCDs were released on the streets in India by the film's opening day.⁶⁹⁹

New Delhi/Calcutta

When advances in personal camcording technology made expensive film transfer processes no longer necessary, D-Company provided protection to two large syndicates of pirate camcorders based in New Delhi. These syndicates then distributed the pirate master copies to a group of wholesalers in Calcutta.⁷⁰⁰

696 Khalid Mustafa, "April 30th cut-off date: Pakistan likely to face US Trade sanctions," Daily Times, March 15, 2005.

697 S Hussain Zaidi, "US Agents in Pak on Dawood hunt," Mumbai Mirror, October 13, 2005.

698 Nishant A Bhuse, "Pak piracy firm offers Rs 1 Cr for Rdb," Mid Day, January 30, 2006.

699 Facts independently confirmed by MPA through industry raid reports, as well as three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

700 Facts independently confirmed by MPA through industry raid reports, as well as three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

Bangladesh

After the May 2005 raids in Karachi, several of the major piracy factories in Karachi moved their operations to Bangladesh. This gave controllers in Northern India a first-mover advantage, and they began to cash in on a significant piracy demand in the Seven Sisters area of East India.⁷⁰¹

The power and ruthlessness of D-Company's integrated piracy network manifested itself in several high-profile incidents. One incident was the murder of Ketan Shah. Shah had been operating in Lamington Road, an infamous piracy haven, and had refused to obey a timeline Chota Shakeel had set for the release of the pirated version of a new movie D-Company had financed. Shah was assassinated in broad daylight to send a clear message to other pirates that would scare them into compliance.⁷⁰² D-Company further flexed its muscle with two films released in October 2006, *Don* and *Jaan-E-Mann*. Chota Shakeel issued a "diktat" to overseas and Indian piracy distributors to not release pirated copies of either film until one week after their official theatrical release.⁷⁰³ Similar calls were made by Chota Shakeel upon the release of the blockbuster film *Krish* earlier in 2006.⁷⁰⁴

At the time of this writing, the most recent case was the takedown of Jatender Kumar, otherwise known as Rinku. Operating out of a small town just outside of Delhi, Rinku created a pan-Indian masters syndicate on behalf of D-Company. Using a small movie theater in Ghaziabad, India, Rinku created high-quality masters and then sent them across the country. His affiliation with D-Company was confirmed when one of his couriers was arrested in Mumbai bringing Sadaf masters to and from Lahore, Pakistan, on Rinku's behalf.⁷⁰⁵ When prompted by Mumbai authorities and local industry to act, the Delhi police did not respond. Sensing a good story, the local Star Television News Network designed a hidden-camera sting operation to get Rinku to talk about his connections and nefarious business activities. He took the bait and on national television exposed his links to Sadaf in Pakistan and Bangladesh. He also confessed to being an expert at illegally camcording newly released movies in theaters. Presented with the evidence and the public pressure to respond, the police tracked Rinku down in Rajasthan, India, and brought him back to face charges in Delhi.⁷⁰⁶

701 Facts independently confirmed by MPA through three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

702 Facts independently confirmed by MPA through three or more confidential interviews with local investigative journalists, local industry members, and Mumbai police.

703 Nishant Bhuse, *Crime Dispatch*. Available online at <http://ww3.midday.com/news/city/2006/april/135681.htm> (accessed April 1, 2008).

704 Nishant Bhuse, "Crime Dispatch," *Mid Day*, April 4, 2006.

705 Nishant A Bhuse, "D and C gangs in Rs 100 Cr Piracy," *Mid Day*, June 25, 2005.

706 Star News Investigation, May 20, 2007 (translated).

The Way Forward

Strong Government and Political Will

No government can mount a comprehensive strategy against counterfeiting or piracy without first being willing to do so. Willingness manifests itself in many forms. Some examples are:

- Providing more resources. Governments, both national and local, will make their own decisions about how much to spend in the fight against counterfeiting or piracy. But the case for more is stronger the more clearly the link between counterfeiting and organized crime is understood to be, and stronger still given the evidence of funding terrorism. Australia, for instance, has recently authorized \$12 million to fight organized crime linked to intellectual property piracy.
- Creating executive-level positions that include responsibility for IPR protection and economic growth. Within five months of winning the presidency, France's Nicholas Sarkozy appointed Finance Minister Dennis Olivennes to negotiate a landmark agreement to establish an independent government body to implement an "Internet service provider graduated response" program to decrease online piracy. In the United States, the Office of the U.S. Attorney General includes an Intellectual Property Task Force. These types of high-level political appointments help focus political will to accomplish specific objectives and usually result in a dramatic advance in IPR policy.
- Funding "intellectual-property attachés" to be stationed at U.S. (and perhaps other nations') embassies in major commercial markets—such as Britain, Spain, Germany, and Japan—to train local law enforcement on techniques for developing cases against organized networks of pirates, sharing intelligence, and coordinating government resources against intellectual-property crime.
- Placing organized crime and piracy on the agenda of influential international government and business gatherings such as the G-8 and the Davos Economic Summit.
- Holding periodic legislative hearings or other high-visibility government-driven public-awareness campaigns.
- Increasing specialized enforcement training. Policing organizations must receive adequate training and funding in order to understand the link between organized crime and IPR as well as to carry out their mandates effectively. Various countries have linked piracy with economic-crime enforcement units such as Italy's Guardia di Finanza and Britain's Trade and Standards, which enforces the Proceeds of Crime Act. These "IPR police" may be more effective than regular officers in tracing information related to serious crimes.
- Improving intelligence-sharing between intelligence services (which track terrorists) and law enforcement authorities (who investigate instances of counterfeiting and criminal networks), both within countries and, where feasible, between countries.
- Permitting customs authorities to provide rights holders and appropriate authorities with information on the importers and exporters of seemingly counterfeit goods, as well as information about the countries of origin of such goods.

Good Legislation

The starting point for any improved strategy has to be the recognition that largescale counterfeiting is organized crime—in its methods, its profitability, and its links to groups that commit other crimes. Legislative provisions should establish penalties for all the phases linked to counterfeiting, from production to sales, without distinguishing between activities focusing on the exporting, transit, or importing phases of non-original goods. Activities linked to the commission of the crime, such as the storage of goods or the supply of raw materials, should also be given consideration. Effective organized-crime legislation comprises a few key elements that give law enforcement a reasonable chance to take on hardened organized-crime syndicates involved in counterfeiting and piracy:

- Expanding the definition of organized-crime statutes to include commercial-scale piracy and counterfeiting tied with other criminal activity. Countries that have begun to incorporate copyright provisions in their organized-crime and money-laundering statutes include India (1999 Maharashtra Control of Organized Crime Act); Japan (1999 Law Concerning Punishment of Organized Crime, Law No. 136); Hong Kong (2000 Organized and Serious

Crime Ordinance (Cap 455)); Malaysia (2001 Anti-Money Laundering Act); Korea (2001 Anti-Money Laundering Act); and the Philippines (2001 Republic Act No. 9160, Anti-Money Laundering Act).

- Being more proactive by giving investigators greater authority to conduct surveillance and obtain search warrants, on the model of Hong Kong.
- Reviewing the “knowledge” or mens rea requirement for federal IPC prosecutions. At present, investigations often are stymied when factory owners claim ignorance of counterfeiting occurring at their facilities.⁶

Fair and Consistent Enforcement

- Establishing protocols for investigations, with training to match. Street busts are just that unless they begin to unravel the chain of organization. The protocols would be guidelines for pursuing investigations in greater depth, and especially for trying to trace back the production and distribution chain for the counterfeit goods. A particular challenge for customs inspectors, given the increasing quality of the counterfeit goods and their packaging, is distinguishing the counterfeits from legally produced goods.
- Processing cases efficiently. Organized-crime cases must be handled quickly and given priority by the judiciary, lest backlogs delay proceedings and hamper prosecutors’ abilities to secure testimony before informants are intimidated.
- Enhancing international cooperation. Organized-crime groups know no political boundaries and work across jurisdictions, precisely to frustrate investigative efforts. IPR enforcement authorities must leverage international agencies such as Interpol and the WCO to remain as agile as the criminals they are tracking.

Deterrent Sentencing

The current relatively light penalties for counterfeiting do not serve as much of a deterrent, nor do they provide much incentive for those arrested to cooperate in turning a street bust into a deeper investigation of organized crime. In fact, when weak sentences that amount to “slaps on the wrist” are compared with big potential profits, the balance is easily tipped in favor of the money. In the words of a recent UN report: “Even in the case of ‘street’ counterfeiting—visible every day in numerous cities and mostly involving CDs or DVDs or luxury goods—it is highly probable that organized criminal groups are involved; the final seller is often a victim her/himself of the phenomenon, exploited and forced to sell counterfeit products by criminal gangs.”⁷ Truly deterrent criminal penalties, not the administrative sanctions that are the norm in many places, are thus imperative. In many cases, small fines are simply a cost of doing business factored into gaping profit margins.

There is always a risk, one very apparent in narcotics cases, that harsh penalties will afflict the foot soldiers, while the higher-ups within organized criminal syndicates remain protected. But those street peddlers who are themselves victims should be relatively easy to sort out, and harsher penalties are critical to strategies of both deterrence and deeper investigation. The following additional recommendations would strengthen deterrent prosecution:

- Fight key piracy cases in the organized-crime or money-laundering divisions of the prosecutor’s office. Cases that are handled in the general prosecutorial divisions often receive less priority than more-violent crimes and may, as well, focus on the “easy” targets (e.g., the peddlers), not the organized-crime leaders.
- Work to reduce the money in IPR crime. That could mean using Asset Recovery/Proceeds of Crime legislation to fight intellectual-property-crime cases with organized-crime involvement. In the United States, the effort could include, for instance, using FinCEN (the Treasury Department’s Financial Crimes Enforcement Network) and other Treasury and Justice Department financial-crimes experts to follow the money trail, along with stronger application of money-laundering statutes, though these government agencies are hard pressed to accomplish their current mandates.
- Include movie piracy as a priority offense within federal, state, and local anti-gang strategies.

Willingness to Experiment with Innovative Solutions

A government's willingness to be innovative in its attempts to curb counterfeit theft should not be underestimated. Indeed, it will be only through innovative solutions that this unique crime can be reduced. Innovative solutions might include:

- Considering making piracy, especially large-scale piracy, an extraditable offense in bilateral and multilateral treaties.
- Amending customs and immigration forms to include language prohibiting the importation of counterfeit goods. The absence of a specifically worded prohibition may cause some travelers to question whether piracy or counterfeiting is considered "as bad" as the importation of agriculture, plants, fruits, and meats, prohibition of which is currently enumerated.
- Identifying and holding responsible landlords/owners of buildings located in black markets (such as Tepito in Mexico City) for the illegal pirate trade their tenants conduct. Authorities could also shut down flea markets that continue to sell counterfeit goods despite orders to cease and desist.
- Enlisting the support of the financial community, online- payment processors, and digital-payment facilitators. Banks should be engaged to help authorities spot piracy syndicates' money-laundering tactics and ultimately to limit the financial services available to beneficiaries of copyright infringement. Payment processors (Visa/MasterCard) and search engines (Google, Yahoo!) provide filters against child porn. It is worth exploring whether payment processors could be facilitating financial transactions with pirate websites, especially hard-goods websites, to the benefit of organized crime. More broadly, it is worth assessing the role the Internet plays in the sale and distribution of counterfeits, including hard goods.
- Improving standards for transportation documents. Counterfeiting frequently is associated with forged transportation documents—for instance, under-invoicing, which also facilitates laundering the proceeds of the crime. Industry itself has moved to make its products more secure by applying bar codes or holograms, but the same techniques have not yet been applied to transportation documents.
- Working with the World Bank. Two decades ago, it would have been regarded as intervention for the World Bank to point to corruption in any given nation. Now, fighting corruption and improving governance are major thrusts of the Bank's activity. The Bank could make reducing piracy an indicator of a borrower's suitability for continued lending.
- Increasing education concerning IPR generally. Education is critical to combating intellectual-property theft, because many students and adults do not know what intellectual-property theft is, nor are they informed about resultant consequences.

There is no doubt that organized crime is involved in piracy, but additional research could assess the share of pirated movies that are linked to organized crime or which features of transactions (for instance, the form of the media or sale location) are good predictors of organized crime's involvement. Producers have more to gain than to lose from better information. For their part, national authorities could systematically provide data on, for instance, the number of seizures at borders, what is seized, where the goods came from, concealment methods used, types of forged documents, criminal organizations suspected, areas most affected, and outcomes of any enforcement action.

The point is that only with better information will government officials, law enforcement authorities, and private industry around the world respond by devoting more resources to combating counterfeiting of all types, including film piracy, thus exposing the connections to organized crime and ultimately choking off a growing revenue stream for criminal enterprises and for terrorism.

