

The Faces of D-Company: An Analysis of the Terror-Crime Nexus

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This paper looks at the transnational criminal organization D-Company out of South Asia. The analysis includes origins, aspects and faces of D-Company as it shifts along the terror-crime nexus. D-Company is looked at as a criminal organization, a terrorist group, and an economic actor in South Asia.

In today's world of proliferating threats, an organization that engages in both criminal and terrorist activities can be a significant destabilizer in a region such as South Asia. The following analysis will examine the origins of D-Company, an organized criminal group which formed in India, and whose influence can now be felt across the region. This organization, while perhaps not as well-known as some other criminal or terrorist groups, is a destabilizing force in South Asia, particularly due to its adaptive, multifaceted role. In tracing the history and development of D-Company, this report will explore how the organization has evolved into such a role. Discussion will turn to two primary causes for the group's shift into terrorist activity, and the three different 'faces' of the organization as it exists today: a transnational criminal organization, a terrorist group, and an economic actor. Regardless of where D-Company and its leader Dawood Ibrahim fall on the spectrum between a criminal and terrorist organization, this examination finds that the group remains both a national and regional security threat for South Asia.

D-Company Origins

Dawood Ibrahim's criminal syndicate D-Company originated in the late 1970s in the city of Mumbai, India. D-Company rose to power following the city's declared emergency order from 1975 until 1977, which aimed to take down mainstream criminal organizations.¹ India, and particularly Mumbai as the center of India's criminal underworld, fostered conditions that were conducive to the rise of criminal syndicates. India's strategic location with port access and drug and illicit good smuggling in neighboring states, gave D-Company and other criminal syndicates ample opportunity to rise to international prominence in the late 1970s early 1980s.²

¹ U.S. Library of Congress, Congressional Research Service, *International Terrorism and Transnational Crime: Security Threats, U.S. Policy, and Considerations for Congress*, by John Rollins, Liana Wyler, Seth Rosen, CRS Report R41004 (Washington, DC: Office of Congressional Information and Publishing, 2010). <http://fpc.state.gov/documents/organization/134960.pdf>

² U.S. Library of Congress, Congressional Research Service, *Nations Hospitable to Organized Crime and Terrorism*, (Washington, DC: Office of Congressional Information and Publishing, October 2003).

Taking advantage of favorable conditions and the void of criminal syndicates left by the emergency order, D-Company flourished as a top criminal organization in Mumbai. By the mid 1980s Ibrahim fled to Dubai under the growing pressure from Indian authorities. Based out of the port city of Dubai, D-Company was involved in drug and arms trafficking, gold smuggling, extortion, counterfeit currency, real estate, contract killings, gambling, and film piracy.³

Evolution

1992 Riots & Muslim Marginalization

D-Company's evolution into a criminal-terrorist organization involved many factors. The following analysis will discuss the two primary causes for evolution: first, the 1992 riots/violence against Indian Muslims, and secondly a shift in the market that prompted Ibrahim to expand outside of purely criminal activities to sustain D-Company.

The shift towards ideologically motivated activities took place following the destruction of the 16th century Babri mosque in Uttar Pradesh, India in December 1992 and the resulting riots that killed hundreds of Muslims.⁴ In 1984 the Hindu nationalist party Bharatiya Janata Party (BJP) was elected into power, and at the time, India's minority population of Muslims was around 150 million people, roughly 12 percent of the population. Leading up to the 1992 attacks, a wave of Hindu nationalism swept India that led to Muslim marginalization and violence.⁵

In retaliation and seeking to protect the minority Muslims, D-Company smuggled in explosives and weapons that were ultimately used in the 1993 Mumbai Bombings. In early 1993, ships departed from Dubai for Karachi carrying explosives and numerous small arms. These arms and explosives, facilitated through the Pakistani Inter-Services Intelligence agency (ISI), were used in the 13 bombings throughout Mumbai on March 12, 1993 that killed 157 and injured over 700.⁶ Following this attack D-Company moved its headquarters to Karachi. This proved to be a pivotal moment for D-Company: the previously secular organization split along religious lines, with the majority of Hindu members leaving to follow a Hindu Lieutenant, Chota Rajan, and the rest

³ Ryan Clarke, *Terror-Crime Nexus in South Asia*, (New York: Routledge, 2011).

⁴ "The 1993 Mumbai Blasts: What Exactly Happened on March 12 that Year," *IBN Live*, 2013. <http://ibnlive.in.com/news/the-1993-mumbai-blasts-what-exactly-happened-on-march-12-that-year/380222-3.html>

⁵ Kanisk Tharoor, "Divided and Conquered: Indian Muslims and Hindu Nationalism," *Globalist*, 2004. <http://www.yale.edu/globalist/archive/issue12/divided-conquered.htm>

⁶ The targets of the attack included the Bombay Stock Exchange, the Air India building, headquarters of the Hindu party Shiv Sena, and the Cinema Plaza.

remaining under the control of Ibrahim.⁷ From here, D-Company adopted a degree of radical ideology, and shifted into the terrorism-crime nexus:⁸

Cause: Shift in India's Markets

With rampant corruption and a closed economy, D-Company flourished as one of India's top criminal organizations. But in the early 1990s, at the same time as the riots and destruction of the Babri mosque, the economic and markets shifted in India, leaving many of D-Company's activities less profitable. This was also a primary motivation for D-Company moving towards terrorist activities. Prior to 1991, the economy of India was dominated by the public sector, with limited international trade and socialist-oriented policies. Such economic policies had helped to cultivate criminal and black market activities within the country. However, in June of 1991 the newly elected Congress Party changed the fundamental structure of the Indian economy, devaluing the rupee immediately by twenty-five percent to alleviate the current account deficit.⁹ By the end of the decade the Indian economy was averaging over 6 percent growth rate and witnessed a declining market for illicit activities.¹⁰

New business dealings with the Pakistani ISI created opportunities to diversify D-Company's portfolio and created a new market for illicit activities. For example, a bond between al-Qaeda and D-Company was forged that allowed the use of smuggling routes by al-Qaeda members to escape over the Afghanistan border into Pakistan. This al-Qaeda connection gave D-Company the opportunity to deal in the Afghanistan heroin market.¹¹ Another major policy change was the liberalization of gold imports. Indian policy makers cut the duty rate in half from Rs 450/10gms to Rs 220/10gms.¹² The government of India seized nearly 5.7 and 5.0 tons of gold in 1990 and 1991, respectively, but by 1992 the amount seized had dropped to nearly 2.9 tons under the newly open policy.¹³ This change in gold import policy marginalized D-Company's gold smuggling enterprise

⁷ Ryan Clarke "The PIRA, D-Company, and the Crime-Terror Nexus," *Terrorism and Political Violence* 20, no. 3 (2008): 376–395.

⁸ *International Terrorism and Transnational Crime: Security Threats, U.S. Policy, and Considerations for Congress.*

⁹ Manmohan Agarwal, Whalley, John. "The 1991 Reforms, Indian Economic Growth, and Social Progress." *National Bureau of Economic Research: Working Paper* 19024, May 2013. Page?

¹⁰ U.S. Library of Congress, Congressional Research Service. *India-U.S. Security Relations: Strategic Issues*, by Alan Kronstad. CRS Report R42948. (Washington, DC: Office of Congressional Information and Publishing, 2013). <http://fas.org/sgp/crs/row/R42948.pdf>

¹¹ Ryan Clarke, *Terror-Crime Nexus in South Asia*, 85-87.

¹² *Reserve Bank of India history series*. Volume 4, 1981-1997, Part A

¹³ *Reserve Bank of India history series*. Volume 4, 1981-1997, Part A

and drastically reduced its profit. The more open economic context forced Dawood Ibrahim to expand business activities, led him into dealings with terrorist groups.

Faces of D-Company

To understand the multifaceted, intricate nature of the organization, it is important to examine the different ‘faces’ of D-Company, and to assess the groups’ ideological and financial motivations. These ‘faces’ include roles as a transnational criminal organization, a terrorist group, and an economic actor. Upon examination, it is clear that D-Company is not solely a terrorist group or criminal organization, but in fact shifts its role to best suit its own interests.

Transnational Criminal Organization

Residing in Pakistan, Ibrahim is able to manage his criminal network that now spans across Asia, Africa and the Middle East. As a transnational crime syndicate, D-Company is involved in arms and human trafficking, gold smuggling, extortion, bribery, contract killing, counterfeit currency, and drug trade. The command structure of D-Company is made up of various cells that are led by top individuals, such as ‘Tiger’ Memon, who report directly to Ibrahim. Regional commanders lead operations of each cell, which focus on varying criminal activities based off of their respective locations and expertise. Under the regional commanders are lieutenants that report orders and commands to foot soldiers carrying out the operations. Buying off corrupt politicians, referred to as *netas*, D-Company has been able to exploit the weaknesses and complacency of many governments of the countries in which it operates.¹⁴

The Dubai based cell, for example, has specialized in counterfeit currency. Because of Dubai’s accessibility to ports, D-Company was able to spread Fake Indian Currency Notes (FICN) to major cities in India by sending notes with laborers returning from Dubai in their backpacks or suitcases. This counterfeit currency is reported to end up back in the hands of the ISI to finance illicit activities and militant groups in India, including Lashkar-e-Taiba (LeT).¹⁵ In August 2013 Indian police arrested a top lieutenant, Abdul Karim Tunda, whom confessed to the FICN

¹⁴ Ryan Clarke, "The PIRA, D-Company, and the Crime-Terror Nexus," date

¹⁵ Sumita, Sarkar, Arvind Tiwari “Combating Organized Crime: A Case Study of Mumbai City,” *South Asia Terrorism Portal*. <http://www.satp.org/satporgtp/publication/faultlines/volume12/Article5.htm>

operation and an estimation of hundreds of thousands of fake notes were coming into India annually.¹⁶

Additionally, the organization was involved in opium and heroin trade, and human trafficking that spanned from South East Asia to the Middle East. D-Company is also involved in smaller activities such as illegal Bollywood production with sales to the U.S. and the U.K. Taking such activities into consideration, the organization seems financially motivated and is nondiscriminatory in dealings to increase profitability and revenue.

Terrorist Organization

Since D-Company's first terrorist activities in 1993, the organization has been both directly and indirectly involved in terrorist activity and funding in South Asia.¹⁷ The inability of Pakistan to provide a secure and stable environment has led to the use of groups like D-Company as a resource for gains against India, and in return Ibrahim and D-Company were given safe haven.¹⁸ While D-Company and the ISI or LeT have differing ideological goals, Ibrahim and his syndicate as a facilitator of terrorism are one of the most dangerous organizations in the region.

The ISI and LeT were given access to vast smuggling routes by D-Company for arms trafficking, drug trade, and as an escape route from Afghanistan. ISI has benefited from the fake currency and arms trade through D-Company. The profits from this trade are used to provide LeT with supplies and weapons in the proxy fight against India.¹⁹ Ibrahim has been implicated in other terrorist attacks and was named a Specially Designated Terrorist by the U.S. State Department and U.S. Department of Treasury for his connections to al-Qaeda.²⁰

Ibrahim was also connected with financing, providing safe houses and contacts for various terrorist groups across South Asia attacking inside India including Jaish-e-Mohammed, Harakat-ul-Jihad-i-Islami, the Indian Mujahideen.²¹ Most recently it was reported D-Company made a deal with terrorist organization Boko Haram out of Nigeria to supply drugs and weapons.²² Given the

¹⁶ Biswas Shrideep, "Currency of Terror," *South Asia Terrorism Portal*, 2011. <http://www.outlookindia.com/article/Currency-Of-Terror/277209>

¹⁷ Ryan Clarke, *Terror-Crime Nexus in South Asia*, pg. 196-205.

¹⁸ Ibid. pg. 196-205.

¹⁹ Ryan Clarke, *Terror-Crime Nexus in South Asia*, pg. 196-205.

²⁰ United States Department of Treasury, Office of Foreign Asset Control. *U.S. Designates Dawood Ibrahim as Terrorist Supporter*. <http://www.treasury.gov/press-center/press-releases/pages/js909.aspx>

²¹ Ryan Clarke, *Terror-Crime Nexus in South Asia*, pg. 161-166.

²² "Exposed: Boko Haram-Dawood nexus to smuggle drugs in India," *Times of India*, September 6, 2014. <http://timesofindia.indiatimes.com/videos/news/Exposed-Boko-Haram-Dawood-nexus-to-smuggle-drugs-in-India/videoshow/41886330.cms>

diffusive nature of D-Company, its presence spanning three continents and the diversity of its activities, the alliances with ISI and terrorist financing and related activities comprise only one part of D-Company's portfolio.

Economic Actor

D-Company's role as an economic actor is very similar to that of any regional or multinational corporation concerning the level of influence and decision-making on a local level. The group's economic relationship with the region is also reciprocal: Pakistan benefitting from illicit revenue and D-Company receiving political protection. D-Company has played a vital role in the Pakistani economy: lacking foreign investment and internal growth, Pakistan's economy is unsustainable without considerable amounts foreign aid. D-Company's illicit revenue via funding to the Central Bank and massive deposits of foreign currency in local banks has reportedly assisted in the bail out of Pakistan's economy on many occasions.²³

Operating out of multiple countries D-Company took advantage of globalization, ease of international trade and demand for goods, technology, and ease of travel. In the late 1990s D-Company was able to exploit the growing film industry in India. Vertically integrating operations with production, distribution, manufacturing through trading companies like Al-Mansoor and SADAF Trading, Ibrahim was able to exploit new markets in the United States and the UK for Indian film products.²⁴ Also, as discussed the fiscal policy change in the early 1990s with reduced duty rates on gold left the smuggling business for D-Company less profitable. But a policy change reverting to high import duties on gold and silver June 2013 has again opened up a market for precious metal smuggling.²⁵ An analysis of the organization as an economic actor demonstrates that D-Company has generally acted in an economically adroit, rational manner seeking to increase profits but also taking advantage of political and economic opportunities across the region to secure optimal monetary and nonmonetary outcomes.

²³ Ryan Clarke, *Terror-Crime Nexus in South Asia*, date, pg. 288-304.

²⁴ Gregory Treverton; at el. *Film Piracy, Organized Crime, and Terrorism*. (Santa Monica, CA: RAND Corporation, 2009). pg. 91-95.

http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG742.pdf

²⁵ "Why Gold Smuggling is on the Rise in India." *BBC News*, March 13, 2014.

Impact and Responses

For India, the impact of D-Company on South Asian stability is now greater than ever. The declarations of al-Qaeda in the Indian Subcontinent, rise of other jihadist activity in the region and the U.S. preparing to exit Afghanistan, D-Company has numerous opportunities to strike at the heart of the BJP government. Ibrahim has the network and finances to assist in a complex strategic attack in India that could be devastating and have a proliferating effect on terrorism in South Asia.

India

The Government of India has taken a group centric approach in trying to counter the influence of Ibrahim and D-Company. Following the 1993 bombings India sought extradition with countries like the United States and UAE to bring D-Company members associated with the attack back to India for trial. While India arrested some of D-Company's key figures, its influences remained. In 1999 India enacted the Maharashtra Control of Organised Crime Act (MCOCA) to update original framework to deal with the growing organized crime and is currently trying top D-Company lieutenants Abdul Karim Tunda under the Terrorist and Disruptive Activities (Prevention) Act. India-targeted specific assets known to Ibrahim and his associates in India, demolishing homes and businesses.²⁶ The newly elected prime minister of India, Narendra Modi, prior to the election promised the extradition of Ibrahim from Pakistan.²⁷ No substantial action has been taken since Modi's election to dismantle D-Company's network of influence.

U.S. Efforts

The United States has been involved as secondary support in assisting India to contain and take down D-Company, including adding Ibrahim and his lieutenants to U.S. Treasury and State Department sanctions lists.²⁸ The 2014 joint U.S.-India statement mentioned the goal of, "dismantling of safe havens for terrorist and criminal networks, to disrupt all financial and tactical

²⁶ "IPL spot-fixing: Court orders property attachment process against Dawood Ibrahim, Chhota Shakeel," *Z News*, May 31, 2014. . http://zeenews.india.com/news/nation/ipl-spot-fixing-court-orders-property-attachment-process-against-dawood-ibrahim-chhota-shakeel_936311.html

²⁷ Since election of Modi in May 2014 it was widely reported that Dawood Ibrahim asked the ISI for more protection and to be relocated.

²⁸ United States Department of Treasury, Office of Foreign Asset Control, *Designations Pursuant to the Foreign Narcotics Kingpin Designation Act*, 2009.

support for networks” for groups like Lashkar-e-Taiba and D-Company.²⁹ The FBI and India’s Intelligence Bureau are now sharing intelligence on the location and assets of Ibrahim. Lastly it was speculated that the U.S. was going to provide assistance in extraditing Ibrahim from Pakistan, the country who denies his existence in the country.³⁰ This type of activity has been reported before but the U.S. has taken no action.³¹

Conclusion

The preceding analysis illustrates an organization that, in spite of lacking the global awareness or media attention experienced by its peer groups, remains a genuine political and economic force in South Asia and beyond. Because of Dawood Ibrahim’s ability to adapt and grow D-Company through nearly four decades, his organization remains one of the most influential groups in the region. Today, it is important that all of D-Company’s “faces” be acknowledged: this includes the organization’s roles as a transnational criminal organization, a terrorist group, and an economic actor inside of Pakistan. In tracing the group’s historical development and examining the regional context in which these developments took place, one can better understand how the organization has acquired the multidimensional role it exhibits today. And in turn, by examining this we can better understand how each role threatens the stability of the South Asia. It remains to be seen whether, or how, D-Company continues to threaten regional stability if it manages to maintain its adaptive nature.

²⁹ Office of the Press Secretary, “U.S.-India Joint Statement,” The White House, September 30, 2014. <http://www.whitehouse.gov/the-press-office/2014/09/30/us-india-joint-statement>

³⁰ Elizabeth Bennett, “Time for India to Take Down Dawood Ibrahim,” *The Diplomat*, Nov. 1, 2014. <http://thediplomat.com/2014/11/time-for-india-to-take-down-dawood-ibrahim/>

³¹ “No Request Made to US to Track Down Dawood Ibrahim, Clarifies Government,” Press Trust of India, February 19, 2014. <http://indianexpress.com/article/india/india-others/no-request-made-to-us-to-track-down-dawood-ibrahim-clarifies-government/>

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