A CASE STUDY ANALYSIS OF ISRAELI ORGANISED CRIME (IOC) (1990-2005): APPLYING THE CRIME BUSINESS ANALYSIS MATRIX (CBAM)

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INTRODUCTION
In common with many developed nations, organised crime in Israel grew steadily from the 1960s, initially through familial crime networks conducting traditional ‘mafia’ type activities such as illegal casinos, vice and loan sharking, ‘shakedowns’ through violence and intimidation and general gang related crime. (Katz, 2005; Rabinovitch, 2010). By the late 1980s, organized crime in Israel had been given a significant boost thanks to strong cultural links with the burgeoning crime networks of the Soviet Union, which was by then going through a process of disintegration.

However, it was not until the early 1990s that Israeli Organised Crime (IOC) networks found their principal stock-in-trade for the following twenty years and beyond; the synthetic drug 3,4 methylenedioxyamphetamine (MDMA), commonly known as Ecstasy. IOC networks were the first global crime phenomenon to see the many benefits of this drug as an illicit commodity; huge profits, its acceptable party image and ease of transportation and use. IOC effectively made MDMA their own, using established European black markets and crime networks originally devised for diamond smuggling and money laundering (Harpaz and Colombo, 2000; Siegel 2009). As such, extensive IOC networks now exist in Europe and the U.S. and are growing in Asia and Australasia. IOC is mainly, but not exclusively engaged in MDMA trafficking on an industrial scale. While synthetic drug trafficking is their main activity, they have a noted involvement in sex trafficking and the illegal harvesting and sale of human organs over the past twenty years (Meyer, 2006; Chaikin and Safran, 2010).

IOC networks have to date, been effective in maintaining a supply monopoly to the two largest MDMA markets, namely the U.S. and Europe (Katz, 2005). However, as criminal knowledge about production and trafficking spreads amongst the global criminal diaspora, IOC is gradually losing some market share to a range of alternative crime groups, particularly in Asia (ACC, 2011). It is posited that these developments are nothing more than the harsh reality of global market forces, largely beyond the control of IOC networks. Nonetheless, IOC continues to dominate global MDMA trafficking and remain a potent criminal force in this sector of the synthetic drug market.

This paper is comprised of two Parts. Part A provides a review of the literature as it relates to Israeli Organised Crime (IOC) and its involvement in criminal activities in particular its involvement in the European MDMA market. While, Part B provides an analysis of the
characteristics of contemporary IOC networks, using the Criminal Business Analysis Matrix (CBAM) method designed by Dean, et al. (2010).

The CBAM assesses IOC networks’ performance and characteristics against five (5) entrepreneurial capabilities (Opportunity Perspective, Resources Mobilisation, Decision in Uncertainty, People & Cooperation; and Profit Maximization) and four (4) business phases (Establishment Phase, Expansion Phase, Consolidation Phase; and the Positioning Phase). The four business phases are comprised of a total of 16 business development factors. Against these capabilities, a rating of HIGH, MEDIUM or LOW is assigned, with accompanying explanations. A graphical representation of these ratings for both capabilities and business development factors can be found at Appendix ‘A’

Approach
This case study of IOC using the CBAM (Dean, et al. 2010) incorporates a comparative review of the literature on several aspects of IOC activity, with a strong focus on those Israeli criminal networks based in the Netherlands and Belgium, which remain target countries for MDMA manufacture and wholesale distribution. Data collected against the following themes were compared and contrasted and used to complete the CBAM as proffered by Dean, et al (2010):

- History and development of IOC
- The expansion from domestic activity to Transnational status
- The nexus with, yet distinctions from Russian Organised Crime
- The advent of MDMA and IOC’s consummate exploitation of this
- The various modus operandi of IOC trafficking and money laundering
- Other organized crime activities engaged in by IOC
- Growing global recognition of the threat posed by IOC
- Evidence of change in MDMA market dynamics as new crime actors engage in production and distribution, particularly in Asia

This paper will show that IOC is experienced in identifying criminal opportunities, mobilizing the required resources and maximizing profits. However, like most organizations both illegal and legitimate, decision making during times of uncertainty remain a challenge.

Limitations of this paper
The authors acknowledge the dynamic nature of domestic and international drug markets. Therefore the data analysed in this paper is limited to the period 1990 to 2005 and is further limited by the fact that it is drawn from open sources and scholarly articles and like publications. The activities of IOC are restricted to its involvement in the European MDMA drug market for the stated period under examination.

DISCUSSION
PART A
History and development of Israeli Organised Crime (IOC)
A comparative review of the literature suggests that the term Israeli Organised Crime (IOC) entered the justice lexicon sometime in the early 1990s. According to the Israeli National Police (INP), Israel had first recognized an organised crime in Israel around 1978 and twenty years later it declared the criminal networks as a strategic threat (Rabinovitch, 2010). Similarly, Katz (2005) described the evolution of Israel’s criminal environment since the 1960s, noting that a handful of powerful crime families in Israel had traditionally run illegal
neighborhood casinos, prostitution rings and loan sharking operations. In keeping with much of the developed world, these activities grew steadily over the following years.

Given Israel’s longstanding struggle to achieve localized security both within and at its borders it is unsurprising that organized crime networks have readily adopted the methods of terrorism to strike at competitive enemies. For example, Mohammad (2008) described the use of car bombs to eliminate rivals. This occurred during a violent dispute between organized crime factions in Israel. The war was sparked by the murder by car bomb of Yaakov Alperon, the leader of a Tel Aviv criminal gang. Mohammad notes the fact that innocent bystanders have been injured in crime killings, the battle being over a business operation and the desire for vengeance on the part of Alperon's family (Mohammad, 2008 p. 27).

In later work, Mohammad (2009) discussed the visible rise of IOC in Israel, referencing publicly visible episodes of violence, specifically in Tel Aviv, Israel. The killing of Yaakov Alperon is further examined in the context of his son Omer Alperon promising retribution for those who killed his father. At the time, the Israeli government flagged its intention to ‘crack down’ on organized crime in Israel (Mohammad 2009, p. 13).

The Jewish nation appeared to be somewhat slow in responding to the growing threat of organized crime. Adamoli, Di Nicola, Savona and Zoffi (1998) noted that in 1997 Israel introduced mutual legal assistance legislation for asset forfeiture investigations, while money laundering laws only came into being in 2000 (Shebanova, 2010). Sangaro (2007 p. 27) observed that it was not until 2003 that Israel passed an anti-organized crime law and much later, in 2008 that the INP launched a new police unit to enforce it. The phenomenon of organised crime was now in the public eye in the form of murders and drug trafficking and the Israeli government was obliged to respond (Sangero, 2007 p. 66).

The move to Transnational Status
The growth of IOC domestically appears to have been slow but steady. According to a 2005 regional security assessment, organised crime in Israel remained fragmented and opportunistic, despite the influx of Russian criminals and the subsequent turf wars experienced in the 1990s (Jane's Intelligence Review, 2005, p. 32 - 34). This assessment appears to have been focused entirely on the domestic outlook concerning IOC within Israel’s borders. However, there is clear evidence that from the late 1990s, IOC had expanded to a prime European crime base; Amsterdam. It was also utilizing its connections within the diamond industry in the nearby Belgian city of Antwerp, to provide informal banking facilities for the criminal network (Siegel, 2009).

A Complicated Nexus with Russian Organised Crime
Because of the longstanding close family and migratory links between the former Soviet States and Israel, entrenched by the post-war exodus of Jews to the new nation, significant linkages and overlaps between criminal networks of both regions can be found. While these overlaps need to be acknowledged, it is critical to avoid any equation of commonality between the two. Russian Organised Crime (ROC) presents a much larger global threat through its sheer numbers and diversity of operations. The question of delineation between IOC and ROC is further blurred by the use of terms such as ‘Jewish organised crime’ by
some to describe Russian émigré crime networks operating in U.S. cities and elsewhere in the world (Glenny 2008).

Williams (1998) observed that throughout the 1990s, criminals from the former Soviet Union flooded into Israel, exploiting both the law of return and the lack of anti–money laundering measures. In some cases, money from Russia was used in Israel to buy up businesses burgeoning on bankruptcy that would then start to make profits which eventually found their way back to Russia. In some instances, these transnational criminal organizations also created jurisdictional confusion, making it difficult for any single nation’s law enforcement agency to act effectively against them (Williams, 1998 p. 71).

Davis, Hirst and Mariani (2001, p. 16) described how post-soviet organised crime has grown and extended its operations into foreign countries aided by new travel freedoms afforded to Soviet citizens. Granville (2003) refers to Jonathon Wine (the former Deputy Assistant Secretary of State for International Law Enforcement), who claimed:

"There is not a major Russian organised crime figure who we are tracking who does not also carry an Israeli passport. An obvious attraction of such a travel document is the relationship between Israel and the U.S and limits on extradition laws with Russia”.

MDMA

Above all else, the arrival of the illicit recreational drug MDMA, commonly known as Ecstasy (XTC) on the world stage in the early 1990s (Agar and Schacht Reisinger 2003) has had a profound effect on the development and growth of IOC. According to Katz (2005), drugs only became available in Israel after the Six-Day War, when contact with Arab-run cannabis plantations in Lebanon and Syria occurred, and hashish was suddenly cheap and available. From the 1970s, thousands of young tourists visited Israel from colleges in North America and Europe. They volunteered on kibbutzim and, turning curious Israelis on to drugs (Katz, 2005, p. 21). MDMA is closely associated with rave/dance culture and the ‘party’ scene (Cohen, 1998).

According to Amir (2003) the ‘Ecstasy culture’ was imported to Israel in the early 1990s, as a consequence of thousands of young Israelis travelling to South America, India and other exotic party locations as an escape from the violence and conflict experienced during their military service. Some brought drugs back; others became small time dealers while the more ambitious developed into importers (Amir 2003, p. 20).

By 1998 U.S. officials were reporting on the Jewish State as a drug-consuming country and a trafficking power, with serious marijuana, hashish and heroin use, and a growing problem of cocaine, LSD, and amphetamine consumption (Katz 2005 p. 4). However, Ecstasy developed as the key commodity of IOC networks, and remains so to this day. It is primarily produced in Dutch and Belgian labs ranging from industrial-sized plants and mobile labs hidden inside trucks or on floating barges, to basements underneath farms and factories (Romano, 2002 p. 36, Katz, 2005, Siegel, 2009).

Modus Operandi

It is prudent to examine how IOC networks have become so adept at distributing and marketing Ecstasy globally. Israelis have had smuggling networks in place between Israel, the Netherlands and Belgium for many years (Harpaz and Colombo, 2000; Siegel, 2009). These were used for shipping stolen diamonds through Brussels and Amterdam to points
worldwide. When a few drug dealers first encountered MDMA they successfully test-marketed the drug in Israel, before using existing diamond routes for its distribution (Katz, 2005).

Israel’s then lax banking laws, make it easy to launder the proceeds from this drug trafficking activity. But the nature of Israeli society also contributed to the success of this new MDMA venture. Katz (2005) noted:

"Israelis are industrious, intelligent, innovative, and they love to travel...They are ideally suited for the global drug trade." (Katz, 2005, p. 3).

By the 1990s it appears that IOC had made itself at home in the Netherlands, partly through the old connections with the diamond smuggling trade. Punch (1991) explored the nature of the Dutch criminal landscape through the biographies of seasoned criminals and found that the traditional underworld in the Netherlands has been replaced by organised crime in the hands of Israelis and others. IOC networks have become entrenched in the Dutch MDMA landscape, moving beyond their early roles as deal brokers and traffickers, into primary production in some instances (Blickman, 2004).

According to Guttman (2004), two classes of criminals can be distinguished among Israelis involved in the MDMA scene: the directors of the networks, who have strong connections to the Israeli underworld, and the couriers, who are responsible for getting the drugs from Europe to the States. The couriers are recruited in Europe or the U.S. in return for the promise of big profits and for the most part carry out similar missions many times (Guttman, 2004 p. 18).

Katz (2005) also noted that the Israelis were the first to see the potential for MDMA. It didn't have to be smoked, snorted or injected, nor did it expose the user to risk of HIV infection (Joseph, 2000 p. 23). Israeli dealers were not content only with local distribution. Working with Dutch and Belgian criminal connections, they were instrumental in marketing the drug and creating the demand in Europe and throughout the world (Amir, 2003).

For example, Blickman (2004) recounted how in 1994 an Israeli crime group establishing an MDMA laboratory near Amsterdam, coming to police attention when it subsequently exploded. Blickman described another IOC group’s involvement with a seized laboratory in the Netherlands in 2001. The laboratory produced 120,000 pills an hour and Israelis were violently extorting money in Israel to fund its Dutch operation.

IOC networks have successfully used Western Europe as a hub to distribute MDMA globally, primarily from its production centres in the Netherlands and Belgium. Katz (2005, p. 37) concluded that:

“… today, Israelis have a virtual monopoly on the global trade of Ecstasy”.

This domination continues to the current time, being only slightly diluted by some new global actors in the MDMA trade appearing in the past ten years (US Department of Justice - USDEA, 2004, p. 127).

By 2004, the U.S Federal Department of Justice, Drug Enforcement Administration (DEA) publicly made the claim that:

“Israeli and Russian criminal groups control most wholesale MDMA distribution in the United States …”.

While at the same time, noting that Asian, South American and Middle Eastern organized crime groups also played a role (US Department of Justice -USDEA, 2004, p. 127).

The involvement and capabilities of IOC networks in Western Europe and the U.S. are well documented (Europol, 2005). However, the reach of IOC has been increasingly global for the past twenty years, with activities being detected in Africa, Southeast Asia, Japan and Australasia (US Department of Justice -USDEA, 2004, p. 127; Katz, 2005; ACC, 2011). Katz (2005 p. 3) describes how, in September 2000, Japanese police arrested a major IOC figure for smuggling 25,000 Ecstasy tablets into Japan.

In 2009, further evidence of IOC penetration in Japan came to light when Japanese authorities uncovered a suspected drug trafficking and money laundering ring believed to be run primarily through Israeli-run jewelry kiosks in Tokyo (Lis, 2009). Authorities believe the international ring was headed by an Israeli living in Estonia. Police believe a great deal of the money was also laundered in Israel, as well as through real estate purchased abroad. One of the key Israeli criminals arrested was considered a prominent figure in Tokyo nightlife (Lis 2009, p. 1).

IOC uses both shipment and couriers to distribute MDMA globally. Packaged MDMA is sent overseas through parcel post, with IOC dispatchers drive through Holland, Belgium, and Luxembourg to post their packages or deliver locally in person. IOC networks have mainly used Israelis as mules, or couriers, to bring the drug into the United States (Office of National Drug Control Policy, 2002). Israeli nationals living in Europe and the United States, typically young and seeking some easy cash, make ideal couriers. Organisers will often oversee several couriers on flights from Europe. IOC networks have also used orthodox and Hasidic Jews from the New York area to smuggle MDMA into New York's major airports in 1999 and 2000 (Lefer, 2001, p. 1).

IOC networks have, by necessity had to become adept at financing deals and money laundering their subsequent proceeds. The entrepreneurial nature of Israelis was also highlighted by Spapens (2010) who notes that within the Israeli criminal diaspora, there are sophisticated informal systems for fund raising for both licit and illicit undertakings. Sometimes the people who raised the money will not even know precisely what the capital is being used for.

In a field study, Van Duyne (1995) observed that money exchange offices in Amsterdam appeared to play an important role in the financial management of IOC money laundering. Cash is changed into other currencies and easier money-carriers at the exchanges. Van
Duyne’s analysis of four 'bureaux de change' operated by an Israeli family in Amsterdam revealed a turnover of hundreds of millions of guilders per year.

**Maintaining profits in a crowded market**

Profit margins from MDMA production and trafficking are so enormous that organized crime groups from other countries are now entering the market (Katz, 2005, Rabinovitch, 2010). Some loss of market dominance by IOC is an unavoidable market consequence, as knowledge of MDMA production methods becomes common within transnational and local crime groups. For example, by 2011 the Australian Crime Commission (ACC) noted that some of the crime groups identified as involved in the trafficking and distribution of MDMA in Australia include Italian and Israeli crime groups (ACC 2011, p. 60). Increasingly, MDMA is sourced from Southeast Asia (ACC 2011, p. 60; Schloenhardt 2007, p. 64).

While MDMA remains a popular drug today, market forces have led to fluctuations in its fortunes. Klerks (2000) examined the Dutch criminal environment and MDMA market at the turn of the new millennium and observed that competition from the former Soviet countries and Israeli traffickers was stronger than ever, risking a collapse in the local MDMA market. For Dutch and Israeli drug entrepreneurs alike, this resulted in a concentrated effort to develop export markets. In an indication of market saturation, Holland in the year 2000 witnessed an unprecedented number of assassinations among criminals, a phenomenon which observers attribute at least partly to drug deals gone wrong and infighting among major ecstasy producers (Klerks, 2000 p. 14).

The Amsterdam police force interviewed in excess of a hundred criminal contacts in late 2000, in relation to the assassinations, and found many of them to be fearful for their lives and insecure about their business (Klerks, 2000 p. 15). IOC networks did not flinch at this increased level of police attention and have proved resilient in the face of market pressures and competition from new market entrants. For example, when a decline in consumption in Holland led to further fears of local market saturation the Israelis responded to this challenge, by penetrating the U.S. market still further, while establishing footholds in Australia and Japan (Katz 2005, ACC 2011, p. 60).

Brunt, Poortman, Niesinki, and Van den Brink (2010) observed that the market of illicit drugs can be considered just as dynamic as that for legal products. New synthetic drugs, known as designer drugs, are continuously appearing on the illicit drug market (Jerrard, 1990, Wodak, 2008). Brunt et al. (2010) demonstrated the instability of the MDMA market in the Netherlands, showing a decrease of tablet production by more than 50% in 2009. In addition, they describe a partial replacement of MDMA in tablets sold as ecstasy by a previously unseen substance, mephedrone (or 4-methylmethcathinone). Known intelligence on the characteristics of IOC however, suggests that they will easily adapt and evolve to any such changes in the synthetic drug market (Rabinovitch, 2010).

**PART B**

**CASE STUDY ANALYSIS - IOC MDMA**

**Crime Business Analysis Matrix (CBAM)** Dean et al (2010)

**PHASE 1: Establishment:**

**Opportunity Perspective (Overall Rating: HIGH)**
Entrepreneurial Vision: HIGH

The term Israeli Organised Crime (IOC) appears to have developed as a law enforcement and criminological descriptive in the mid-1990s. Domestically, organized crime had been identified by Israeli authorities as a growing threat from the late 1970s as violence and other publicly obvious traits of its presence increased within Israeli society (Katz, 2005). However, it was not until the disintegration of the Soviet Union that IOC came to be recognized as a 'strategic threat' (Rabinovitch, 2010).

IOC’s genesis was helped by slowness of the Israeli State to develop countermeasures. Opportunities were taken to expand crime racketeering in Israel during the 1970-80s, unfettered by a distracted justice system. It can be argued that the Jewish nation was preoccupied with its immediate security environment and terrorist threats in the post war period. For example, Amir (1998) observed that Israeli academics only started to study organized crime in the 1970s and intelligence practitioners, even later.

History suggests that IOC demonstrated an extremely high level of entrepreneurial vision in realizing the potential of MDMA. Katz (2005) noted that the Israelis were the first to see the potential for MDMA; it didn't have to be smoked, snorted or injected, or expose the user to risk of HIV infection. IOC took the MDMA ‘opportunity’ and ran with it. Katz (2005) recounts that when a few Israeli drug dealers first encountered MDMA they successfully test-marketed the drug in Israel, before quickly using existing diamond routes for its distribution (Katz, 2005, p. 4). However, Israeli dealers have not been content with only local distribution (Guttman, 2004). Working with Dutch and Belgian criminal connections, they had global ambitions in marketing the drug.

Business Planning: HIGH

Limited intelligence exists in the public domain about business planning activities of IOC, yet the results of their endeavours speak towards careful planning and risk assessment (Lis, 2009). Success in the domination of the two largest MDMA markets (Europe and the U.S.) has not come about by chance, but through incremental planning (Haskew, 2001).

Crime Money Management: HIGH

IOC networks seek out legitimate means for managing the conversion of crime proceeds from illicit to licit. The natural entrepreneurial nature of Israelis also flows through to the characteristics of IOC networks, a tendency for self-employment and the conduct of business activity being ideal cover for the laundering of crime proceeds. Van Duyne’s (1995) analysis of four ‘bureaux de change' operated by an Israeli family in Amsterdam revealed a turnover of hundreds of millions of guilders per year.

A similar crime money management model came to light amongst Israeli criminals operating in Japan in 2009, when Japanese authorities uncovered a suspected drug trafficking and money laundering ring run through Israeli-run jewelry kiosks in Tokyo. The money was also laundered in Israel and through real estate purchased abroad (Lis, 2009 p. 1).

Resource Mobilisation (Overall Rating: HIGH)

Financial Capital: HIGH

Israelis are widely acknowledged for their entrepreneurial skills in raising startup funds for business ventures in the licit world. IOC networks have, by necessity had to become adept at
financing deals and money laundering the subsequent proceeds. For the typical MDMA venture, the bulk of advanced funds are required to pay the typically Dutch or Belgian manufacturer. The next tranche of funds is required for transportation, short or long haul, depending on destination. Upon the split-up of shipment to wholesalers and dealers, funds start to be re-couped, bringing the ultimate ‘payday’. Sophisticated informal payment systems exist within the Israeli criminal Diaspora. This ‘informal’ banking system has many advantages; it is a ‘closed shop’ with exclusive membership, it attracts no formal paperwork or transactional trail which can be followed by law enforcement and it is an instant, liquid means of cash or asset transfer (Spapens, 2010).

**Operational Logistics: HIGH**

With the advent of MDMA, IOC had a head-start with logistical networks, through established smuggling networks between Israel, the Netherlands and Belgium (Harpaz and Colombo 2000, Siegel 2009). IOC uses both shipping and couriers to distribute MDMA globally (Amir, 2003). Packaged MDMA is sent overseas through parcel post, IOC dispatchers driving through Holland, Belgium, and Luxembourg to ship their packages to a range of European and global destinations.

**Human Resources: LOW**

In the area of personal couriers, IOC networks have mainly used Israelis as ‘mules’ to bring the drug into the United States. Israeli nationals living in Europe and the United States, typically young and seeking easy cash, are ideal for this role. Overseers will often 'shotgun' couriers on flights from Europe. IOC networks have also used orthodox and Hasidic Jews from the New York area to smuggle MDMA into New York's major airports. (Lefer, 2001). In terms of human capital, Israelis bring some special qualifications to the table. Israel’s ongoing security environment means that several generations of Israelis have, by way of compulsory military service, developed the skills to survive conflict and adversity and problem-solve to achieve desired outcomes (Amir, 2003). Military training will bring for many an eye for detail and vigilance in relation to immediate or potential threat, be it from police or criminal.

IOC networks consistently use young, party-seeking travelers of Israeli or at least Jewish origin to facilitate MDMA trafficking. This provides at once a potential strength and weakness for IOC. By only using human resources of their own culture, religion and background, IOC networks are insuring against ‘rogue’ operatives. IOC benefits from this through preconceptions and attitudes formed from a siege mentality (resulting from Israel’s ongoing security environment). These factors encourage a collectiveness and consistency of behaviour amongst couriers. However, this almost exclusive use of Jewish personnel for global trafficking can also serve to make the parameters of IOC networks highly visible to law enforcement (US Customs Service et al. 2000). The Israeli accent, first and family names are highly distinctive and not easily disguised. These factors are perhaps IOC’s greatest vulnerability and give law enforcement a starting point when seeking out IOC drug networks for investigation (US Customs Service et al. 2000).

**PHASE 2: Expanding Implementation**

**Decision Making in Uncertainty (Overall Rating: MEDIUM)**

In the mid 1990s, Israeli drug criminals were faced with a dilemma; whether to invest heavily in the then new synthetic ‘tablet’ drug scene in a gamble that it would accelerate in popularity
past that of say, heroin or cocaine or early forms of methamphetamine. Their decision to specialize in MDMA has been vindicated in an entrepreneurial sense.

**Business Intelligence: HIGH**
Using conventional business planning and intelligence skills, IOC evaluated this risk, ultimately forming the view that prospective gains could be confidently predicted (Amir, 2003). IOC networks took a risk on the popularity of MDMA, based on logic regarding the convenience and marketed ‘safety’ of the drug. As a result, they were, relatively speaking, first into the field. As a result, IOC had no real large-scale competitors for the first fifteen years of MDMA trafficking (also being the last fifteen years of the old Millennium).

**Violence: LOW**
Israelis are largely a product of their own security environment. As a nation they have faced adversity, conflict, violence and the threat of an uncertain security environment for many years. A natural corollary of this environmental conditioning is that violence becomes a transactional commodity for some. Heightened or extreme levels of vigilance, paranoia, the direct witnessing of violence and military conflict through compulsory military service may all play some role in de-sensitization to the use of violence in Israel (Landau, 1988).

The tools of this struggle with terrorism have been used in organized crime disputes, the use of bombs to eliminate rivals in Israel now being commonplace (Mohammad, 2008). Innocent bystanders have been injured in such crime killings. One such instance was the killing by car bomb of Yaakov Alperon, the leader of a Tel Aviv criminal gang (Mohammad 2009, p. 13). In 2005 an Israeli National Police Superintendent commented publicly on this violence in Israel, observing that virtually all IOC members are retired army officers, well trained and heavily armed (Eshed, 2005 p. 1).

By marked contrast there are few indicators of Israeli MDMA networks using violence in the wider global MDMA markets. This is likely to be part of a deliberate low-profile strategy as outlined by Dean et al. (2010 p. 116) to maintain business advantage. Outside of Israel and some limited Jewish-American crime skirmishes in the U.S. IOC networks avoid such violent practices. They market their commodity in the relaxed people friendly environment of dance parties, rave events, and holiday environments that provide convenient cover to their activities (Amir, 2003).

**Corruption: LOW**
While political corruption in Israel is endemic, there are no overt indications that IOC has any great dependence or reliance on corrupt relationships with authorities or government to facilitate its activities. That is not to say that corrupt relationships do not exist between major criminals and politicians. Outside of Israel, there is no clear evidence that IOC networks rely upon corrupt practices and relationships any more or less that other known organized crime phenomena. However, this observation is qualified by the fact that not enough detail is known about IOC network operations outside Israel and North America, beyond periodic media reports on syndicate arrests.

**Counter-intelligence: HIGH**
Having been the foundation specialists in the MDMA market, IOC is deeply versed in the idiosyncrasies of their product, where and how the threats of law enforcement action will present and the detection of any signs of serious competition. The military background and
training of many of its members lends itself to a culture of vigilance and response to threat, often in the form of disinformation for the benefit of law enforcement and competitors alike (Amir, 2003).

PHASE 3: Consolidating
People Co-operation (Overall Rating: HIGH)
Crime Business Connections: HIGH
Having strong cultural and business links to the U.S. undoubtedly aids IOC’s crime business connections. The Israeli ‘Mafia’ had operated in the United States since the late 1970's and has established a significant presence in drug trafficking and various forms of fraud and money-laundering (Abramovsky, 1995). Given the close relationship between the U.S. and Israel and the size of illicit markets for recreational drugs in the former, this strong connection at macro and micro level with the U.S. is assessed as perhaps IOC’s most powerful crime business connection. Similarly, crime connections with the former Soviet Union are equally useful.

Criminological research conducted in Israel in the last three decades pointed clearly at the existence of correlation between crime and ethnic origin as related also to immigration. For example, Rattner (1997) studied the possible relationship between ethnicity, immigration and crime, examining the involvement of Jewish Russian immigrants in crime to establish whether crime is imported or developed after immigration. Rattner (1997) found that both theories have support and that crime connections between Israel and Russia and its former States are utilised to the fullest. Israeli and Russian criminals have become mutually entwined to enhance market penetration and to gain personal protection from law enforcement (Davis, Hirst and Mariani, 2001; Granville, 2003).

Legitimate Business Connections: HIGH
Of the publicized arrests of major IOC leadership figures in Israel, Europe and the U.S. for MDMA trafficking over the past twenty years, several have been high-profile figures in the nightclub/entertainment industry, conducting ostensibly legitimate businesses in this realm (Lis, 2001 p. 1).

Influential People Connections: MEDIUM
In the U.S. in particular, some of the more successful IOC figures adopted a higher public profile through business activities. By 1999, the U.S authorities determined that one Israeli: Oded Tuito, was responsible for about 80 percent of the entire ecstasy supply in the United States and targeted him accordingly (Sweetingham, 2009). Tuito, who had built a substantial business empire, died while under investigation by the US- DEA. Despite this, there are no overt indications that IOC benefits from patronage of any corrupt political relationships or major public figures of influence.

PHASE 4: Positioning
Profit Maximisation (Overall Rating: HIGH)
Local Market Share: HIGH
MDMA as a drug phenomenon was imported to Israel in the mid 1990s, influenced by an already strong Ecstasy culture in Britain, Germany and Spain (Amir, 2003 p. 20). Israeli criminals naturally embraced it as a new money making opportunity. MDMA became entrenched in the party scene amongst those in Israeli society with time and expendable income for recreational drugs. For various reasons, IOC struggled to produce the drug domestically within Israel and maintained a reliance on Dutch and Belgian primary producers, yet the drug has become intensely popular in the Jewish State (Amir, 2003).

**Global Market Share: HIGH**
IOC networks have successfully used Western Europe as a hub to distribute MDMA globally from its production centres in the Netherlands and Belgium. (US Department of Justice - USDEA, 2004, p. 127). U.S. Customs data that showed that during the time period between October 1999 and April 2000 it seized four million Ecstasy tablets, up from the 750,000 tablets it found in fiscal year 1998. (Haskew, 2001 p. 1)

Despite these early indicators, the U.S. only formally acknowledged the role of IOC in MDMA trafficking around 1995 as MDMA seizures continues to rise (Blickman, 2004). U.S. federal law enforcement seizure analysis showed that the amount of MDMA smuggled into the United States had greatly increased through the 1990's (US Customs Service et al., 2000; Bureau for International Narcotics and Law Enforcement Affairs, 2003). By the mid-2000’s it was argued that IOC had a virtual monopoly on the global trade of Ecstasy (Katz, 2005).

By 2004, the U.S Federal Department of Justice, Drug Enforcement Administration (DEA) publicly claimed that: “Israeli and Russian criminal groups control most wholesale MDMA distribution in the United States”, while noting that Asian, South American and Middle Eastern organized crime groups also played a role. (Microgram Bulletin, 2004, p. 127). IOC networks have also steadily increased their operating base in Australia. According to the Australian Crime Commission (ACC) 2011 illicit drug report, some of the crime groups identified as involved in the trafficking and distribution of MDMA in Australia included ‘Italian and Israeli crime groups’ (ACC 2011, p. 60).

The market of illicit drugs can be considered just as dynamic as that for legal products. (Brunt, Poortman, Niesinki and Van den Brink, 2010). Market forces for MDMA such as competitiveness, fluctuations in demand and commercial intelligence ‘leaks’ have seen some weakening of the IOC position in the MDMA market over time. Profit margins from MDMA are so enormous that organized crime groups from other countries were entering the MDMA market as early as ten years ago (Katz, 2005).

Some loss of market dominance by IOC is an unavoidable market phenomenon, as MDMA production methods become more commonly known in transnational and local crime groups around the world. As early as 2000 a joint U.S. federal law enforcement report predicted that the future should expect to see a small number of MDMA laboratories becoming established in Mexico and Mexican Cartels are becoming more involved in MDMA trafficking (US Customs Service et al. 2000).

This dilution of the manufacturing monopoly continued over the following decade. Changes in market share in recent years are possibly linked to MDMA having reached something of a zenith in popularity between 1998-2002. Brunt et al. (2010) demonstrated the instability of the MDMA market in the Netherlands, showing a decrease of tablet production by more than
50% in 2009. According to the ACC, in 2006, the volume of global MDMA seizures were 37 percent less than in the peak year of 2002.

This may reflect declining production rates in European centres. In the United States there were also indications of declining rates of use and availability of MDMA in recent years, contrasting with the strong rise in seizures in Oceania and East and South East Asia (ACC, 2006 p. 4).

In 2005 law enforcement was still reporting that the majority of the world’s MDMA continued to be produced in Western Europe, but in recent years seizures have indicated that locally produced MDMA was available in Australia (ACC, 2006 p. 8). By 2011, it was increasingly clear that MDMA was sourced by developed markets such as Australia from Southeast Asia (ACC 2011, p. 60; Schloenhardt 2007, p. 64), with a growing emphasis on China as a source.

New synthetic drugs, known as designer drugs, are continuously appearing on the illicit drug market (Jerrard, 1990; Wodak, 2008). Some of these drugs continue to be loosely marketed as ‘Ecstasy’. Brunt et al. (2010) describe a partial replacement of MDMA in tablets sold as ecstasy by a previously unseen substance, mephedrone (or 4-methylmethcathinone). A further complication for IOC is the ‘blurring’ of the MDMA market in many countries. In Australia it is acknowledged that recreational drug tablets marketed and sold as ‘Ecstasy’ may contain no MDMA at all, but may be an amalgam of other synthetic chemicals and substances (ACC, 2006).

**Competitive Advantages: HIGH**

Against this backdrop of lower quality recreational drugs sold as ‘Ecstasy’, IOC networks have the important competitive advantage of being strongly associated with the original high quality version of MDMA, as was widely available from Holland around the beginning of the Millennium. IOC maintains strong capabilities in providing high quality MDMA, tempered only by manufacturing constraints and market competition.

Other competitive advantages enjoyed by IOC networks include strong links to a wider entrepreneurial Jewish community in many centres of the world, but, for the purposes of MDMA trafficking, particularly in the cities of Antwerp, Amsterdam, New York and Tel-Aviv. The Jewish (and thus Israeli) connection with Russian Organised Crime and more mainstream Jewish-American crime strengthens IOC’s advantage through sheer numbers, greater options regarding the finance of crime and access to more markets.

That the majorities of IOC’s member base of drug and cash couriers are enmeshed in global travel as backpackers, the nightclub scene and rave events, presents an additional competitive advantage through access to a ready-made markets for recreational drugs.

A diagrammatic representation of the collective capabilities of IOC within the context of the MDMA industry across all four phases can be seen below as Appendix A:
Conclusion
IOC has been industrious in pursing the criminal opportunities afforded to them, growing their MDMA enterprise into an unprecedented global operation. IOC networks were in the right place at the right time to exploit the arrival and popularity of MDMA amongst the affluent markets of Europe and the U.S. However, this in no way detracts from the high-level organization and efficiency demonstrated by IOC in building an empire based on MDMA.

Despite the likelihood of changes in the future market dynamics of MDMA and its derivatives, law enforcement can confidently predict that IOC will reform and adapt as necessary to ensure that they remain a global force in recreational drugs. IOC networks are resilient, well connected with youth culture and its recreational drug consumerism, ruthless in business and determined to maximize profits and maintain market share. IOC will likely evolve with ease to take entrepreneurial advantage of any future opportunities in the synthetic drug market as they emerge.

The earlier comment by one researcher that Israeli criminals are ‘ideally suited’ to the MDMA trade is highly pertinent here. This adds to the contention reached during this study that whatever changes occur in the future market dynamics of MDMA and its derivatives, law enforcement can confidently predict that IOC will reform and adapt as necessary to

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**Appendix ‘A’ - Criminal Business Analysis Matrix (CBAM) of IOC MDMA Industry**

![Appendix ‘A’ - Criminal Business Analysis Matrix (CBAM) of IOC MDMA Industry](image)

Note: ‘Business model’ of a crime group is specific to their culture and context and shaped by global spheres in particular crime markets

ensure that they remain a global force in organized crime. They are resilient, well connected with youth culture and its recreational drug consumerism, ruthless in business and determined to maximize profits and are representative of the emerging entrepreneurial criminal organization discussed by Dean et al (2010).

References


