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REPORT ON ASIAN ORGANIZED CRIME

The Criminal Division  
U.S. Department of Justice

February 1988

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## FOREWORD

Over the past several years, our national offensive against organized crime has dealt a severe blow to the leadership of La Cosa Nostra (LCN). The successful prosecution of LCN families across the country, however, is cause not for celebration but for a renewed battle cry against all organized criminal groups that threaten the safety of our citizens and the integrity and economic stability of our public and private institutions.

As the LCN replenishes its ranks and diversifies into new areas, non-traditional organized criminal groups are emerging to fill the vacuum left by a weakened mob. Of particular concern are certain Asian criminal groups that have evolved from street gangs into sophisticated criminal syndicates that rival (and in some instances surpass) the LCN in terms of violence, economic impact, and the diversity of their illegal activities. The criminal portfolios of these groups include narcotics trafficking, money laundering, contract murder, illegal gambling, loansharking, extortion, interstate prostitution rings and alien smuggling. And they are adopting the hallmark of traditional organized crime -- corruption of our public officials and institutions -- as their modus operandi. In certain areas of the country Asian criminal groups have grown so powerful that state and local law enforcement agencies have become stymied in their efforts to contain them. They have requested the federal law enforcement community to bring to the fight the unique investigative and prosecutorial tools that have proven so effective in battling the LCN.

This report was initiated as an attempt to document the nature and scope of Asian organized crime in this country. It has provided a useful framework for structuring a new federal initiative that will draw on the expertise of the Criminal Division's Organized Crime and Racketeering Section, the United States Attorneys' Offices, the Federal Bureau of Investigation, the Immigration and Naturalization Service, the Internal Revenue Service, the United States Customs Service, the Bureau of Alcohol, Tobacco and Firearms, and the Drug Enforcement Administration. I hope that it will also serve as a useful resource tool for prosecutors and investigators involved in this important new initiative.

The report was prepared by Philip Baridon of the Criminal Division's Office of Policy and Management Analysis after consultation with approximately 200 federal, state and local law enforcement officials. To all those who gave graciously of their time during the preparation of the report I express my thanks and give my pledge to work towards a systematic and cohesive federal, state and local strategy for eradicating Asian organized crime.

*William F. Weld*

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## EXECUTIVE SUMMARY

Press reports, Congressional hearings and the President's Commission on Organized Crime have helped focus public concern during recent years on the more visible aspects of Asian organized crime. State and local law enforcement agencies, particularly those on the West Coast, are increasingly convinced that their enforcement priorities and capabilities are not well matched with the broad range of criminal activities engaged in by some Asian groups. After discussing the appropriate law enforcement response to this problem, the National Organized Crime Planning Council (NOCCPC) agreed that the first step would be to document the nature and magnitude of the problem. The Criminal Division concurred with NOCCPC and prepared this report in consultation with federal, state and local law enforcement agencies in numerous cities in the United States and Canada.

### Demographics

An important demographic trend began about 20 years ago with a dramatic increase in Asian immigration, largely due to the Immigration and Nationality Act of 1965 and the aftermath of the Vietnam War. Today, more than six million persons of Asian descent reside in the United States, where they are the fastest growing immigrant group. By the year 2000, the number of Asians in the United States is expected to reach 10 million, or about 4% of the total population. The three largest groups, in descending order, will be Filipino, Chinese and Vietnamese. The vast majority of these immigrants are law-abiding persons who are among the potential victims for predatory youth gangs and organized crime groups.

### Background and Organization

Although criminal activities are a problem within most of the Asian groups, the law enforcement community is in substantial agreement that the greatest threat today comes from Chinese organized crime (COC). Understanding the COC threat requires an appreciation of the complex and fluid relationships between four organizational entities: Triads, Tongs, street gangs and American COC groups.

Triads developed in China in the 17th century as secret societies dedicated to overthrowing the Ching dynasty. During the second half of the 19th century, many Triad members fled to Hong Kong, Indochina and North America after each unsuccessful rebellion. Over the same period, the political goals of the Triads increasingly became subordinate to their criminal ambitions. By the early part of this century, the Triads had degenerated from political movements into criminal organizations. Today, the size, structure and viability of Triads as criminal organizations vary enormously. Some are essentially defunct while a few are well organized with global ambitions and capabilities. Only a few Triads are active in the United States as criminal organizations; however, Triad members frequently manage independent criminal enterprises in the U.S. or align themselves with American COC groups. Despite the prohibitions against Triad societies, approximately 100,000 Triad members now reside in Hong Kong.

In 1997, sovereignty over Hong Kong reverts to the Peoples Republic of China, ending more than 150 years of British rule. There is growing concern that Triad and other COC leaders may attempt to export their assets and organizations to the United States and other havens. Intelligence confirms that some ordinary Triad members are entering the United States, and some former Triad leaders are moving significant portions of their assets here as a hedge against the future. An analysis of the political and economic factors that will affect this situation during the next 10 years suggests that most Triads will remain in Hong Kong, although a few organized crime leaders are investing money here and are establishing important alliances with American COC groups.

Tongs developed in the United States during the latter half of the 19th century as fraternal orders modeled after Triad Societies. Many of the Chinese immigrants who worked in the railroad camps and gold fields were Triad rebels who had fled China because of the famine and insurrections during that period. Tongs became mutual aid societies and served legitimate economic, political and social functions for the immigrants. Although most of the Tongs were (and are) legitimate, the leadership

of a few maintained Triad ties and followed a course that paralleled the degenerating Triad societies, including management of a growing vice industry in American Chinatowns. Feuding over gambling houses, opium dens and ownership of prostitutes culminated in a series of bloody Tong wars around the turn of this century. An Inter-Tong truce, signed in 1913, signaled the beginning of an economic transition from vice to tourism and other legitimate ventures. During and after this transition, Tong leaders retained a powerful hold on the business and politics of American Chinatowns. Today, some Tongs sponsor a complex mixture of legal and illegal activities and remain essential to COC leaders because of their influence within the Chinese community. Moreover, a few Tong leaders are themselves deeply involved in criminal conspiracies.

Street gangs began to develop in the late 1960's, soon after the 1965 change in immigration policy permitted large numbers of Asians to emigrate to the United States. These new immigrants tended to be young, unskilled and unable to speak English. They clustered in Chinatowns, creating a housing shortage and straining social service capabilities. A rift deepened between the American-born Chinese and the new immigrants, sarcastically referred to as FOBs (Fresh Off the Boat). Many of the early street gangs originated as groups of new immigrants trying to protect themselves from attacks by American-born Chinese. Among the earliest gangs to appear were the Wah Ching in San Francisco around 1968 and the Ghost Shadows in New York around 1972. Some street gangs have remained independent; others have become attached to Tongs; and a few have evolved into sophisticated, organized crime groups.

Chinese organized crime groups operating in the United States today fall into two categories: American COC groups and Triads or similar organizations such as the United Bamboo. Research also suggests growing cooperation between the ICN and COC, particularly in heroin trafficking. A few Triads operate here as criminal organizations, primarily in California and New York. However, the most sophisticated and dangerous COC groups today have evolved during the past 10 years from street gangs. Although independent of Triads or Tongs, these gangs may affiliate with them for business purposes.

The most developed COC group on the West Coast is the Wah Ching. Headquartered in San Francisco, it is an international criminal cartel with close ties to leaders of the Sun Yee On and 14K Triads in Hong Kong and the Kung Lok Triad in Canada. Wah Ching leaders now control a vast array of legal and illegal business enterprises in North America including nightclubs, entertainment holdings, jewelry stores, travel agencies, medical services, gambling clubs and gas stations. On the East Coast, several powerful COC groups thrive in Boston and New York. The Ping On gang in Boston is known to be involved in narcotics trafficking, money laundering, extortion, gambling, loan sharking, alien smuggling, prostitution and the entertainment business. There are three powerful Tongs in New York. The leadership of each is believed to be controlled by COC figures, and each sponsors a major street gang. Other cities not covered by this report also face the problems posed by emerging Asian organized crime groups.

### Conclusions

The most important conclusions drawn from this study are:

- Chinese criminal organizations currently pose the most serious threat among all of the Asian criminal groups.
- The capabilities and priorities of local law enforcement are not well-matched with the national and international activities of some COC groups.
- The most developed COC groups are diversifying into a broad range of legitimate businesses.
- Cooperative ventures between the ICN and COC appear to be increasing, especially in heroin trafficking.
- There are convincing similarities between COC today and the ICN many years ago.

- Chinese organized crime groups depend heavily on fraudulently obtained immigration documents to sustain their membership and avoid detection by law enforcement authorities.
- Fears about the Hong Kong changeover in 1997 are fueling an exodus of legitimate and illegitimate money into the U.S., especially California.
- Modern Triads are organized crime groups that serve no legitimate function and are banned under Hong Kong law.
- Although most Hong Kong Triads have remained fragmented and ineffective, a few have reestablished themselves during the last 30 years as potent organized crime groups under a strong, traditional leadership structure.
- Most Triads probably will remain in Hong Kong; however, a few appear to be establishing alliances with American COC groups.
- Although mostly legitimate, Tongs trace their origin to Chinese Triads and have a long history of sponsoring gambling and vice in America's Chinatowns. A few Tongs appear to be dominated by COC figures.
- Established Tong connections remain essential to COC leaders because of the Tongs' strong role in the politics and business of the Chinese community.
- The flood of Asian immigrants that began in the late 1960s created the conditions that fostered the rise of large and powerful street gangs.
- The most sophisticated and dangerous COC groups today have evolved from street gangs during the past 10 years and are independent of Triads or Tongs.
- The vast majority of the 1.2 million Chinese in the U.S. are law-abiding persons who are among the victims of COC.

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## REPORT ON ASIAN ORGANIZED CRIME

### PART ONE

#### INTRODUCTION

Approximately 5.9 million persons of Asian origin currently reside legally in the United States; an additional one-half million may be here illegally. In descending order, the five largest ethnic groups are Chinese, Filipino, Japanese, Korean and Vietnamese. Many are new immigrants, not yet assimilated into our culture and heavily dependent upon the Asian-American community for support. In some areas of the country, these law-abiding people also face the depredations of Asian criminal gangs that prey upon specific ethnic groups. The sophistication of these gangs varies from loosely organized "street toughs" to international criminal cartels.

Press reports, public hearings and a variety of special television news broadcasts have helped focus public concern on the more visible aspects of Asian organized crime (AOC). In October 1984, the President's Commission on Organized Crime (PCOC) opened hearings in New York on Asian organized crime. Two years later, the Senate Permanent Subcommittee on Investigations also held hearings on Asian criminal groups. Law enforcement agencies, particularly those on the West Coast, are increasingly concerned about the expanding scope of Asian organized crime. Local law enforcement priorities and capabilities are not well matched to the broad range of criminal activities engaged in by some Asian groups.

The National Organized Crime Planning Council (NOCP) debated the appropriate law enforcement response to this problem during and after its January 1987 meeting in San Francisco. The Council agreed that the first step would be to document the nature and scope of the problem in a report for NOCP members. After a preliminary review of the intelligence on all AOC groups, the Criminal Division decided to divide the project into phases

that correspond with the apparent magnitude of crime problems. Accordingly, this first report reflects the conclusion that the most serious threat today comes from Chinese organized crime (COC). If subsequent reports become necessary, they will address in more detail the threats posed by Yakuza, Vietnamese gangs and other AOC groups.

This report provides a demographic and historical context of the AOC problem; identifies some of the most important COC leaders, organizations and activities; discusses future trends; and presents conclusions about the nature and magnitude of the threat. Among its findings, the report discusses how the Vietnam War and a change in U.S. immigration policy in 1965 created the conditions necessary for a new type of ethnic organized crime to develop and flourish. The chapters on history and development describe the origins of the shadowy Triads, their relationship to American Tongs, and their role in COC today. The chapters on individuals and the activities of their organizations provide a snapshot of the law enforcement problems facing selected areas of the country. The conclusions underscore the need for a coordinated law enforcement response to a growing problem.

In preparing for this report, the writer conducted an extensive review of published literature and agency reports and interviewed the officials involved in combatting this problem. Among the documents reviewed were Congressional and PCOC hearing records, intelligence reports, investigative files, news articles, conference proceedings and other special reports. Federal, state and local law enforcement officials were interviewed in Los Angeles, San Francisco, Sacramento, New York City, Atlantic City, Boston, Toronto and Washington, D.C.

Although the writer cast a wide net for information, its availability and reliability are limited somewhat by several factors:

- (1) Since AOC has not been a priority for law enforcement until very recently, the amount of available intelligence corresponds more closely to the level of investigative effort than to the scope of the problem.

- (2) The geographic dispersion of AOC makes a comprehensive national picture difficult to portray. The reader should draw no conclusions from the fact that several important cities, including Houston and Chicago, were not surveyed or discussed.
- (3) Linguistic and cultural barriers adversely affect the accuracy of information.
- (4) Some information could not be corroborated and may be unreliable. The context provides the reader with some indication of certainty about specific information.

## CHAPTER I

### OVERVIEW OF IMMIGRATION AND DEMOGRAPHICS

The number of Asian Americans has shown phenomenal growth over the last twenty years. At present, they comprise the largest ethnic group immigrating to the United States, and, as an American minority, Asians are growing faster than Blacks or Hispanics. The dramatic increase in Asian immigration since the mid-1960s is due largely to the Immigration and Nationality Act of 1965 (8 U.S.C. §1151-1152) and the aftermath of the Vietnam War.

There is also a growing heterogeneity among Asian Americans. Once, the Chinese and Japanese were the only two ethnic groups with significant representation in the U.S. population. Now there are growing numbers of Filipinos, Vietnamese, Koreans and others, each with distinct languages and cultures.

Generally, Asian Americans have assimilated well into our society, but there are distinct differences between the circumstances of those born here and those born abroad. Like others before them, newly arrived immigrants, with little knowledge of American culture and a poor command of English, face difficult assimilation problems manifested in high unemployment, low wages and vulnerability to victimization.

### IMMIGRATION

#### Early Asian Immigration

The Chinese were the first Asians to enter the United States in large numbers. They began arriving in the mid-nineteenth century when they were recruited as laborers in the California gold rush and on the transcontinental railroads. In 1882, Congress passed the Chinese Exclusion Act, which effectively prevented immigration of more Chinese and resulted in the substitution of Japanese workers. The census of 1900 listed only the

Chinese and Japanese as Asian groups. Between 1900 and 1920, immigrants arrived here from other Asian countries as well. The strict National Origins Act of 1924 set extremely low immigration quotas for Asian countries, permitting as few as 105 Chinese into the United States each year. It was not until the mid-1960s that the Asian immigration situation changed appreciably.

#### Mid-Twentieth Century Increase in Asian Immigration

The Immigration and Nationality Act of 1965 repealed the national origin quotas for Asian countries, resulting in a tremendous increase in Asian immigration. The law prohibited preference or discrimination on the basis of race, sex, nationality, place of birth or place of residence and established a limit of 20,000 immigrants annually from any one country. The Act also established a new system of preferential admissions based upon the existence of close family relationships with permanent resident aliens or U.S. citizens, or the possession of special talents and skills needed in the United States. These provisions essentially ended discrimination against the admission of Asians, and, as population figures for 1960 and 1970 show, the effect was dramatic. Chinese immigration rose to 4,769 in 1965 and 13,736 in 1966. The census of 1960 recorded 877,934 Asian Americans, of whom 464,332 (53%) were Japanese and 237,292 (27%) Chinese. The 1970 census showed 435,062 Chinese, with immigration accounting for approximately 44% of the increase since 1960. The number of Japanese had risen to 591,290, and the total Asian American population was counted at 1,434,922.

This upward trend continued during the decade 1970-1980. In 1980, there were 3,466,421 Asians in the United States, of whom 812,178 (23%) were Chinese, 781,894 (23%) were Filipino and 716,331 (21%) were Japanese. In ten years, the Chinese population had nearly doubled. Although natural increase accounted for some of the growth, immigration continued to play a large part. As of 1980, 63% of Chinese Americans were foreign born, as were 66% of Filipino Americans and 91% of Vietnamese Americans. By contrast, only 28% of Japanese Americans at that time were foreign born.

Immigrants continue to enter the United States from China, Japan and other Asian countries at a steady rate. Table 1 shows that, from 1981 through 1986, 219,315 Chinese declared permanent resident alien status in the United States. The Vietnamese total was 264,958. By contrast, the level of Japanese immigration remains relatively low.

Table 1: Immigration of Major Asian Groups 1981-86\*

<u>Ethnic</u> <u>Group</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>TOTAL</u>
Chinese **	25,803	36,984	42,475	35,841	39,682	38,530	219,315
Japanese	3,896	3,903	4,092	4,043	4,086	3,959	23,979
Vietnamese	55,631	72,553	37,650	37,236	31,895	29,993	264,958

Source: U.S. Immigration and Naturalization Service

Not only do the figures in Table 1 reflect large numbers of Asian immigrants, but, as shown in Figure 1, Asians comprise an increasing proportion of all immigrants. They now represent the largest ethnic group among immigrants.

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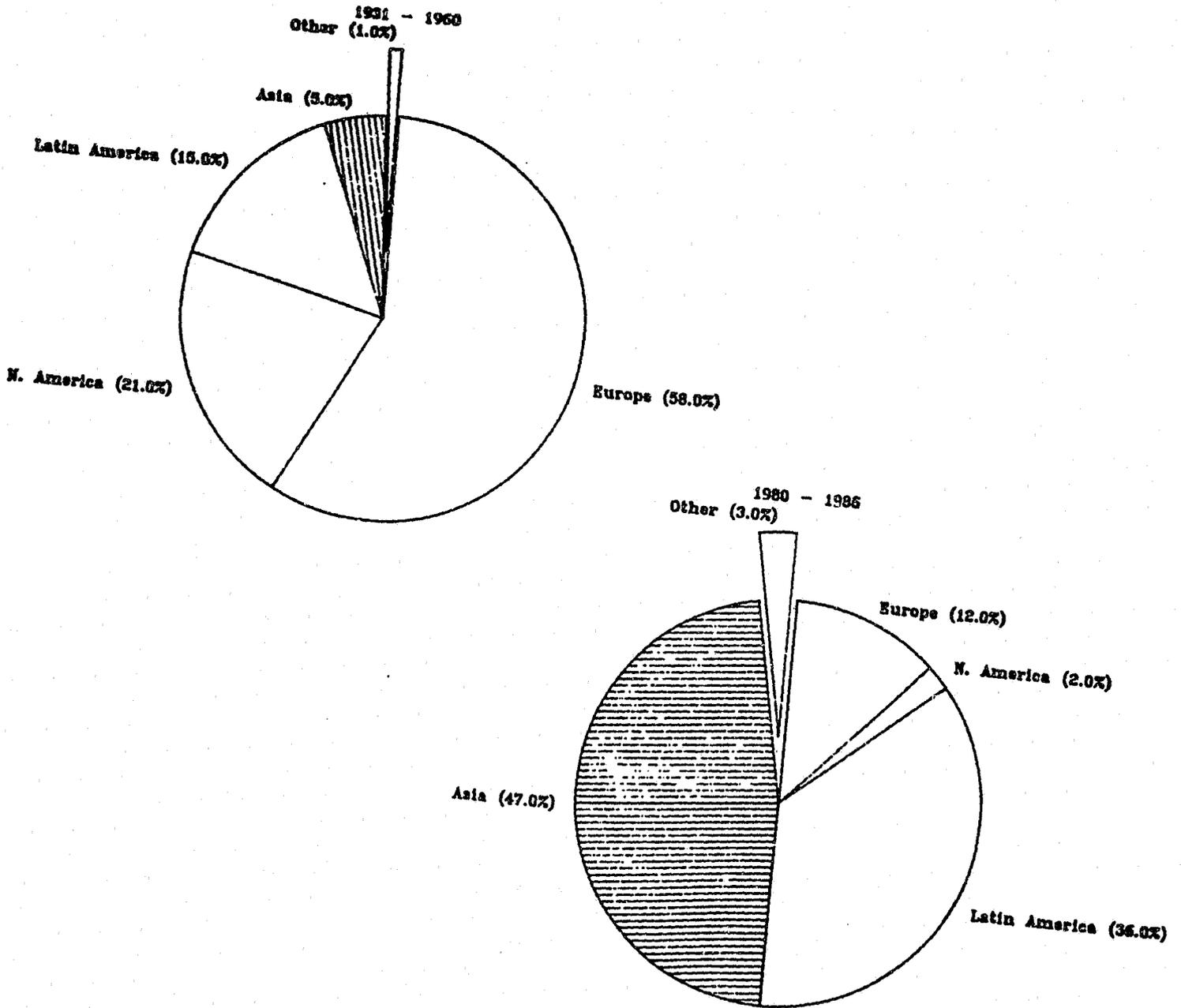
\* Based upon the number of Asians declaring themselves permanent resident aliens in each fiscal year.

\*\* Prior to 1982, the INS considered immigration from both the People's Republic of China (PRC) and Taiwan as emanating from one country, so annual immigration from the two countries combined was limited to 20,000. As of 1982, INS began counting them as separate countries, permitting 20,000 to emigrate annually from each country. As a result, "Chinese" immigration increased.

FIGURE 1

# Legal Immigrants to US by Region

1931 - 1960 and 1980 - 1986



Source: U.S. Immigration and Naturalization Service

In addition to the official entry figures cited above, an uncountable population of illegal aliens exists. The Immigration and Naturalization Service estimates that, based on the number of registered aliens, there are probably between 300,000 and 400,000 Asians who are here illegally. This underground population is particularly vulnerable to exploitation.

#### Recent Vietnamese Immigration

In 1980, the Census Bureau collected data for the first time on the Vietnamese, a significant new immigrant group. With the fall of Saigon imminent, Attorney General Edward H. Levi issued orders on April 22, 1975, permitting the immediate entry of up to 132,000 South Vietnamese and Cambodians. This quota included 50,000 "high risk" persons who had been associated with the United States' war effort and Vietnamese nationals whose close relatives were American citizens or permanent resident aliens. From April through December 1975, 130,400 Indochinese refugees arrived, 125,000 of them Vietnamese. By 1977, an additional 17,000 had entered the United States.\*

The Attorney General made similar exceptions each year from 1976 through 1980. Under the Orderly Departure Program, agreed to by the United States and Vietnam in 1980, several thousand Vietnamese may enter the United States each year in addition to those immigrants counted as refugees. Furthermore, Indochinese refugees who obtain citizenship are using their right to bring in close relatives. Finally, the wave of "boat people" refugees began in 1978 and peaked in 1980. Between April 1975 and September 1984, a total of 711,000 Indochinese arrived in the United States, accounting for nearly one-seventh of all Asian Americans.\*\*

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\* Indochinese immigration figures in this section are from Asian Americans: Growth, Change, and Diversity, by Robert W. Gardner, Bryant Robey, and Peter C. Smith, Population Reference Bureau, October 1985, pp. 9-10. This publication is a major source for the information contained in this chapter.

\*\* Some have estimated that 60-70% of the 1979 Southeast Asian boat people were ethnic Chinese; however, they identified themselves as Vietnamese, Cambodian, or Laotian in order to avoid the discrimination they had faced in their countries of residence. (Information presented at "Southeast Asian Mental Health Conferences" held at Chapman College, Orange, California, 1983; presented in Impact of Indochinese on Law Enforcement by Lt. John R. Robertson, Garden Grove Police Department, California, January 1986.)

Current and Future Population Estimates

The Population Reference Bureau estimates that as of September 1985, Asian Americans had grown to 2.1% of the American population, up from 1.5% in 1980, and numbered approximately 5.1 million. (See Table 2) The two largest Asian ethnic groups in 1985 were Chinese and Filipinos. The annual growth rate for Asian Americans between April 1980 and September 1985 is estimated at over 7%, substantially higher than the 1% growth estimated for the total U.S. population during the same period.\*

Table 2: The Asian American Population

<u>Ethnic Group</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1985 (est.)</u>
Chinese	237,292	435,062	812,178	1,079,400
Japanese	464,332	591,290	716,331	766,300
Filipino	176,310	343,060	781,894	1,051,600
Vietnamese	---	---	245,025	634,200
Other Asian	---	65,510	910,993	1,616,400
 Total Asian Americans	 877,934	 1,434,922	 3,466,421	 5,147,900

Source: 1960, 1970 and 1980 census data; Asian Americans, pp. 5,8. Prior to 1970, the Census did not count Asian groups other than Chinese, Japanese or Filipino. Ethnic groups other than these three have been added over time.

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\* Asian Americans, op. cit., pp. 5-6.

The number of Asian Americans is expected to nearly triple between 1980 and 2000. This projection takes into account birth rates and immigration trends for each Asian group. Political upheavals or economic changes in any of the countries concerned obviously could affect these estimates.

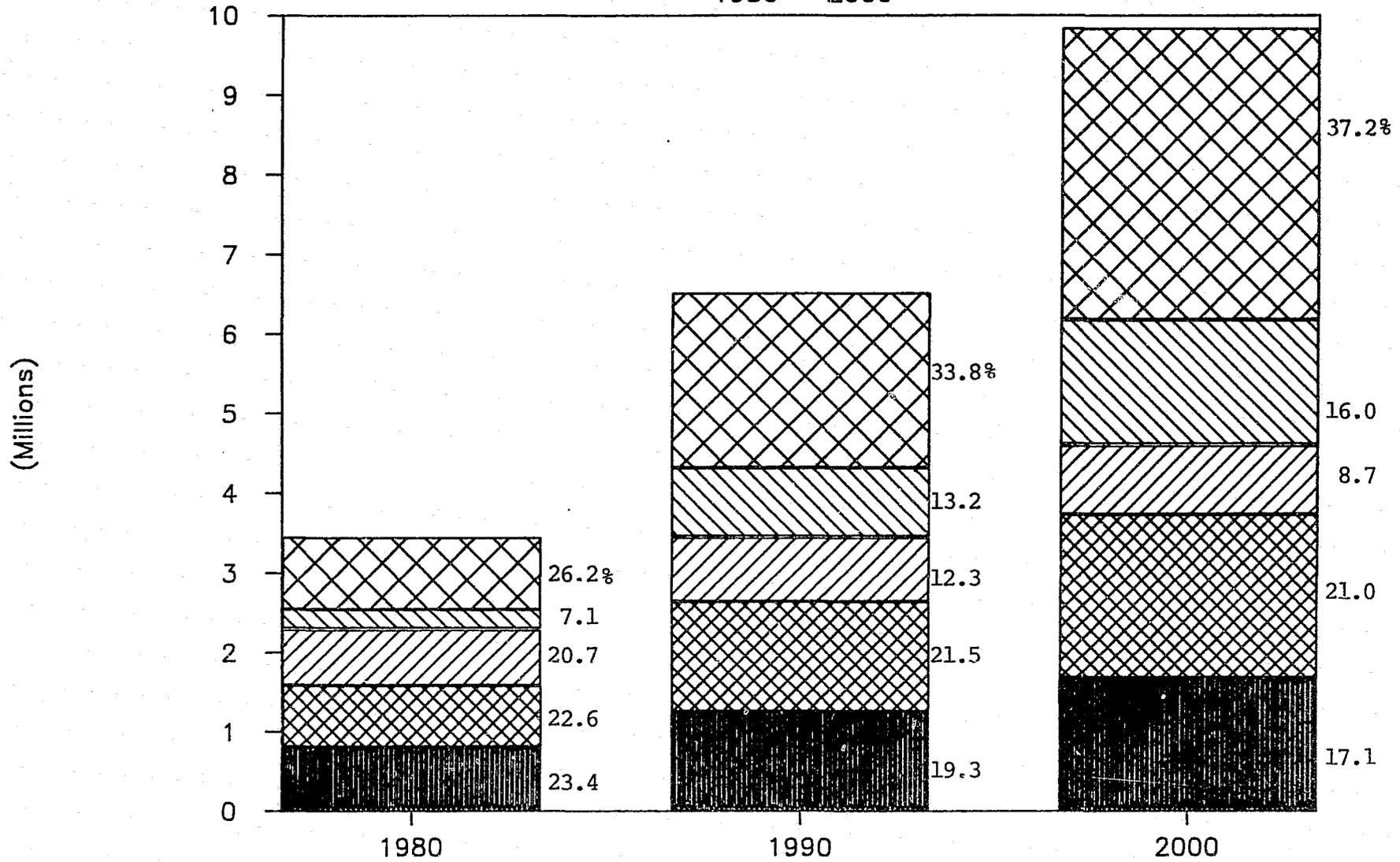
Figure 2 indicates that the number of Asians in the United States is expected to grow from 3.5 million in 1980 to 9.9 million by 2000. Based on these projections, Asian Americans will comprise nearly 4% of the total U.S. population. Even though the Chinese population is expected to more than double its current size, Filipinos will replace the Chinese as the largest Asian ethnic group. Vietnamese will become the third largest group by the year 2000.\*

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\* Asian Americans, op. cit., pp. 37-38.

# Asian American Population Projections

1980 - 2000



Chinese
  Filipino
  Japanese
  Vietnamese
  Other Asian

FIGURE 2

## DEMOGRAPHIC CHARACTERISTICS

Asian ethnic groups in the United States have several characteristics in common. Most of these groups are now largely foreign born, some more so than others. The extremes are the Vietnamese, who are overwhelmingly foreign born, and the Japanese, most of whom are native born. In contrast to some ethnic groups, Asians tend to live in concentrated urban communities (such as the classic "Chinatowns" in many large U.S. cities) and to preserve their cultural traditions and language. To some extent, this may not be a matter of choice. The barriers to assimilation appear more formidable for Asians than Europeans. Italians, for example, are less racially distinct and share a linguistic and cultural heritage with many Americans. Labor force participation and income data also suggest some initial difficulties for Asian immigrants, although high rates of participation in the U.S. school system may help to offset these problems over time.\*

### Geographic Distribution

Asian Americans are concentrated generally in the Western United States, and especially in California. The 1980 census showed that 58% of Asian Americans lived in three states -- California (36%), Hawaii (13%) and New York (9%). Only four other states (Illinois, Texas, New Jersey and Washington) had 100,000 or more Asians.

New arrivals and secondary migrations of Southeast Asian refugees have led to a concentration of Chinese and other Asians in California. The 1980 census also revealed that 40% of all Chinese Americans lived in California and that California's Chinese population had nearly doubled between 1970 and 1980.\*\* As of March 1987, 39% of the 820,000 Southeast Asian refugees in the U.S. resided in California.\*\*\*

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\* The 1980 census indicated that Asian Americans generally had high school completion levels above the rate for Caucasians. Asian Americans also showed high rates of school enrollment, with the most striking difference being in college and graduate enrollment. Asian Americans, op. cit., pp. 25-26.

\*\* At the same time, New York state was home to 18% of the Chinese American population.

\*\*\* U.S. Department of Health and Human Services, Office of Refugee Resettlement.

### Urban Concentration

Asian Americans are more concentrated in urban areas than the general U.S. population. In 1980, 92% of the six largest Asian groups lived in standard metropolitan statistical areas (SMSAs), compared with 75% of the total U.S. population. The Chinese are the most urban, with 96% living in SMSAs. They have clustered mainly in San Francisco, Honolulu, New York City and Los Angeles, along with large numbers of other Asian groups. Boston's Asian population is approximately ten times larger than it was 10 years ago.\* New York City's Chinese population has been growing tremendously; its Chinatown has felt pressure to expand since the early 1970s. The city's Asian population consists mainly of Chinese, although an increasing number are Vietnamese or Korean. The traditional Chinatown area has expanded into surrounding neighborhoods. In 1986, it covered 15-20 square blocks, compared to 10 square blocks five years earlier. Smaller urban pockets of Chinese and other Asians have developed in and near major population centers. For example, Flushing, N.Y., in the borough of Queens, had about 5,000 Chinese in 1980, but as of 1986, had 40,000 Chinese and 40,000 Korean residents.

### Employment\*\*

Asian Americans tend to have overall labor force participation rates that are as high or higher than those of Caucasians. However, there are different employment patterns among Asians based on immigration history and command of English. For example, new immigrants do not fit into the overall picture of prosperity. Instead, they tend to be underemployed or unemployed.

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\* Information on trends in Chinese urban populations in Boston, New York City, and Flushing from The Impact of the Foreign Chinese Migration on Urban America, by Joseph A. Santoro, December 1986, p. 14.

\*\* Information in this section from Asian Americans, op. cit., pp. 27-32.

Generally, native-born Asian Americans tend to have greater representation than Caucasians at the extremes of occupational status, while the foreign born are found disproportionately in low-paying service occupations. Although the 1980 census shows that Asians have high rates of employment overall, some problems are apparent for immigrants who desire stable jobs that are commensurate with their qualifications. Many new immigrants must take jobs beneath their capabilities because of language difficulties and different U.S. professional standards. A recent study by the director of the Asian American Studies Center at the University of California, Los Angeles, found that Asian physicians, pharmacists and nurses who had arrived recently in the U.S. often worked as interns, assistants and lab technicians. Also, labor participation data show that Asian immigrant men go through a difficult period in trying to establish themselves in permanent jobs. For example, in 1979, only 48% of the immigrant men from Taiwan and Hong Kong had been employed full-time for an entire year.

#### Income\*

As with employment data, the general appearance of prosperity tarnishes somewhat when examined closely. The 1980 census recorded Chinese and Japanese median family incomes as \$22,560 and \$27,350, respectively. Those figures compared favorably with the median for Caucasian families, \$20,800. By contrast, the Vietnamese median was only \$12,840. While these figures seem to indicate relative prosperity for Chinese and Japanese immigrants, some of the higher family incomes result from the tendency for Asians to have several wage earners per household. In 1980, 63% of households headed by an Asian had two or more wage earners and 17% had at least three, compared with 55% and 12% for Caucasians. In addition, the median income per foreign-born, full-time worker is generally lower than for Caucasians.

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\* Information in this section from Asian Americans, op. cit., pp. 33-35.

Among all Asian Americans, the foreign born and particularly those newly arrived, tend to have the lowest incomes. For example, in 1980, 23% of families headed by immigrants who arrived during the previous five years from Hong Kong or Taiwan had incomes below the poverty level. For Vietnamese families, the figure was 36%. A 1982 survey of Vietnamese families arriving between 1978 and 1981 showed that after one year in the U.S., two-thirds were below the poverty level; this dropped to less than one-third after four years.

### Age

The median ages for Asian Americans were not very different from the national median of 30 years in 1980. The Japanese, who are mostly American born, had a slightly higher median of 33 years. The Vietnamese were the only group to differ significantly, with a median age of 22 years.\*

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\* Ibid., pp. 12-13.

PART TWO

CHAPTER II

HISTORICAL CONTEXT: 1644 - 1966

TRIADS

In 1644, the Manchu Tartars routed the armies of the Ming Dynasty and established the Manchu Ching Dynasty that ruled until the Republic of China was formed in 1912. A majority of the Chinese people regarded the Manchus as foreigners with no right to the Dragon Throne. The mutual distrust and animosity between the Ching rulers and the people nourished the rebellious Hung Mun (Triad)\* movement over the next two and one-half centuries.

Legend, with some historical support, assigns the origins of modern Triad societies to an incident in 1674. The second Manchu emperor asked a group of Shaolin monks to assist his forces in repelling an invasion. After helping the emperor, the monks refused any rewards and returned to their monastery. Later, the emperor and his ministers grew fearful of the monks because of their popularity and extraordinary martial arts skills. He ordered a raid on the monastery that only five of the 128 monks survived. The monks swore revenge on the Manchus and eventually established five lodges, each with a secret army dedicated to restoring the Ming Dynasty. Europeans later dubbed these secret societies "Triads" because the sacred emblem of the Hung Mun was a triangle, its three sides denoting heaven, earth and man.

The oppressive, feudal nature of Imperial China during the 18th and 19th centuries fueled support for the Triad goal of overthrowing the Ching dynasty. To protect themselves, lodge brothers took vows of secrecy,

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\* In 1368, the first emperor of the Ming Dynasty gave himself the title of Hung Wu. The Chinese character for "Hung" is the same as that used in Hung Mun, the traditional name of the Triad movement.

performed secret initiation rites and used special poems and signs to identify each other. To some extent, these rites and symbols still exist among modern Triad societies.\*

Internal strife racked China during the 19th Century, including the bloody and ill-fated Taiping Rebellion (1850-1864) and the Boxer Uprising (1900). After each unsuccessful attempt to unseat the Manchus, some of the rebels, many of them Triad members, sought refuge in Indochina, the Malay Archipelago and Hong Kong.

During the period 1840 to 1912, the political goals of the Triads became increasingly secondary to their criminal ambitions. Non-Triad associations also formed in Hong Kong during this period. Although they had no political agenda, they adopted Triad rituals and practices as an expedient way of protecting themselves and making money. When the British assumed control of Hong Kong in 1842, there were at least four Triad societies in the new colony. In the years to come, more Triads would discover that Hong Kong was a haven with many possibilities for criminal ventures. After initially resisting the British rule, Triad leaders concluded that it was prudent to lower their profile in the colony and concentrate their efforts on the intermittent civil war in China. Moreover, they realized that control of gambling, prostitution and the labor markets in Hong Kong offered important new sources of revenue. By 1845, the deteriorating situation caused the British to enact an Ordinance for the Suppression of Triads and other Secret Societies, now called the Societies Ordinance.\*\*

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\* In addition to elaborate initiation ceremonies lasting up to eight hours, there are secret hand signs, coded conversations and 36 oaths for each new recruit. A practice that is still common today, even in the U.S., is "Burning the Yellow Paper." On a single sheet of yellow paper, traditionally 8" x 6", the official leading the ceremony writes the names of all participants, summarizes the purpose of the assembly and lists the oaths of loyalty. After burning the paper, some of the ash is mixed into a bowl of wine with blood from each participant. The participants drink from the bowl and then smash it to symbolize the fate of anyone who is a traitor to the oaths just made.

\*\* Among the prohibitions: "It is an offense to be, or to act as ... a member of a Triad society; it is also an offense to attend a meeting of a Triad society, or to have possession ... of books, accounts, writings, insignia, etc. relating to a Triad society." -- Chapter 151, Section 20(2).

On February 15, 1912, the armies of the Ching dynasty had been defeated and Dr. Sun Yat Sen became the first president of the Republic of China. One of his first acts was to order the dissolution of all Triad societies. By 1912, however, the Triads had degenerated from idealistic movements into criminal organizations with no interest in disbanding. During the period between World Wars, Triads attempted to shield some of their labor and other racketeering activities behind a variety of guilds and associations. Following the invasion of China by Japanese forces in the 1930s, some Triads joined the Chinese Nationalist resistance movement while others became collaborators, sharing profits with the Japanese from gambling, prostitution and the narcotics trade. In the chaos after the war, Triads were able to tighten their control over the vice industry, labor fields and the flourishing black market in food and staples. Between 1945 and 1949, China became progressively embroiled in a bitter civil war between Nationalist and Communist forces. Routine law enforcement was ineffective during this period because of military priorities.

General Chiang Kai Shek and other Nationalist leaders sought to rally the Triads to their cause and to organize them into a militia for military service. Chiang also used the Triads for political dirty work unsuitable for the regular army. Although some Triads in the North joined the Communists, most sided with the Nationalists. By 1947, the Nationalist General Kot Siu Wing had recruited more than 30 branches of the Hung Fat Shan Triad. In order to swell their ranks further, Kot used mass initiation ceremonies that left many initiates uncertain about what they had joined.\*

After the defeat of the Nationalists in 1949, many Triad members fled to Hong Kong, Taiwan, Singapore, Australia and North America. Those who were unable to flee or sought to negotiate with the Communists were rounded up and summarily executed in Shanghai. Subsequent efforts by General Kot

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\* Since the movement's headquarters was at No. 14 Po Wa Road, new members began referring to it as the No. 14 Association, to be known later as the 14K Triad Society.

and other Nationalists to regroup exiled Triad leaders were unsuccessful as the Triads turned on each other in violent power struggles that lasted into the mid-1950s. This was also a time of general unrest in Hong Kong. In 1956, there were massive civil disturbances agitated by (but apparently not created by) more than 300,000 Triad members. Royal Hong Kong Police arrested more than 10,000 Triad officials before restoring order.\* As a result of this episode, the colony created the Triad Society Bureau and charged it with monitoring and controlling Hong Kong Triad societies. Unfortunately, the Triads grew stronger in the coming decade as corruption within the Hong Kong Police reached an intolerable level.

### TONGS

After 13 years of fighting, the Ching government finally crushed the Taiping rebellion in 1864. Weary of famine and war, many of the rebels fled China for overseas havens, especially the U.S. Between 1850 and 1882, the U.S. adopted a free immigration policy, primarily to meet the railroad industry's need for inexpensive contract labor. More than 100,000 Chinese men, including many Triad members, poured into the U.S. during this period.\*\*

The new immigrants did not assimilate well into our society; they clustered in urban ghettos and railroad camps. Cultural isolation and the need for mutual aid prompted most of them to band together into fraternal orders modeled after Triad Societies. The first known U.S. group was the Chee Kung Tong (CKT), established in San Francisco about 1860. The CKT and the other Tongs that formed in the late 19th century served legitimate political, economic and social functions. In many respects, they functioned as an unofficial government for Chinese Americans. The early Tongs also maintained an affiliation with the mainland Triad societies and

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\* The rioting left hundreds dead and more than 450 businesses looted and burned.

\*\* Captured Triad members faced beheading by the Ching government. Very few women came to the U.S. By 1890, there were 27 Chinese men for each Chinese woman. Many of the women worked as prostitutes servicing both Chinese and Caucasian clients.

provided limited economic and political support for their rebellion against the Ching Dynasty. More importantly, the Tongs became indispensable for social gatherings, mutual assistance and economic improvement within an alien culture. By the end of the century, most overseas Chinese in the U.S. were Tong members.

Eventually, more than 30 American Tongs formed, each with specialized membership requirements based on such factors as common surname, village or region within China, dialect or occupation. Although most of the Tongs were (and are) legitimate, the leadership of a few followed a course that paralleled the degenerating Triad societies. They began to manage the developing vice industry in American Chinatowns and to engage in other forms of racketeering, including the involuntary sale of Tong memberships. Feuding over gambling houses, opium dens and the ownership of prostitutes broke into the open in 1894.\* In a rivalry that continues today, the Hip Sing Tong and its allies fought the On Leong Tong and its allies for 19 years in the streets of America's Chinatowns. Hundreds of Chinese were killed in a bitter and protracted struggle for control of vice and rackets. Tactics, frequently ruthless, included placing bounties on entire families. Finally in 1913, the warring parties signed an inter-Tong truce and a Chinese Peace Society was established to mediate future Tong disputes.

Although the same parties fought another major Tong war between 1924-1927, the political and economic forces within Chinatown had changed significantly during the previous two decades. In an ironic twist, lurid accounts of Chinatowns' vice industry had begun to attract more spectators than participants. These early tourists bought curios, ate in local restaurants and sometimes hired "guides" who promised to show them sights of depravity in complete safety. In the long run, however, vice and tourism were incompatible. Ordinary tourists were intimidated by the hard-drinking gamblers, thieves and addicts who frequented Chinatown. Each rumor of a new Tong war was devastating to the nascent tourist trade,

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\* San Francisco's Chinatown was estimated to have 70 brothels and 150 gambling dens in 1885.

evaporating the modest demand for exotic food and imported curios. Although the image of Chinatown as a vice center gave an early boost to the merchants and restaurateurs, their steady business increasingly depended on a perception of safe streets and clean restaurants. Pressure from merchants to control the vice trade built and coalesced during the years of the Great Tong War (1894-1913).\* The Chinese Consolidated Benevolent Association became an effective voice for the mercantile class and orchestrated a successful campaign to clean up the image of Chinatowns across the country.

As tourism supplanted the vice trade during the 1920s and 1930s, the Tongs assisted in the process of image management. Tong enforcers helped suppress street crime and, when there were problems, they prevented bad news from spreading to the outside community.\*\*

In sum, Triad societies had degenerated by the turn of this century into criminal organizations. Instead of disbanding after the fall of the Ching government, Triads fought among themselves for power and exploited every opportunity to expand their criminal ventures. Although American Tongs trace their roots to Triad societies, they developed independently and often sponsor a complex mixture of legal and illegal activities. As America's Chinatowns completed the economic transition from vice to tourism in the 1920s, Tong leaders retained a powerful hold on the business and politics of Chinatowns. These conditions remained relatively stable until the massive immigration of the late 1960s. This event provided the necessary catalyst for the rise of Chinese organized crime in the U.S.

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\* The ratio of men to women had begun to normalize after the turn of the century. Concern over the safety of women and the environment for raising children added to the pressure on rowdy gambling dens and brothels.

\*\* In lieu of formally prosecuting ethnic Chinese, many police officers took arrestees to the local Tong leaders, knowing that punishment would be swift and certain. During this time, Tong leaders also worked on their image. For example, many substituted the neutral-sounding "Association" for the word Tong.

### CHAPTER III

#### DEVELOPMENT OF CHINESE ORGANIZED CRIME SINCE 1966

##### HONG KONG TRIADS

The Colony suffered through more riots in 1967 as the Communists mounted an emotional campaign to return Hong Kong to Chinese sovereignty. The pressure to maintain public order eclipsed all other law enforcement priorities and left the Triads well situated to consolidate their position and expand racketeering activities into new areas. In addition to being overextended by the long period of domestic unrest, the police were hampered further by manpower shortages, low pay, poor morale and the requirement to perform internal security functions that alienated many officers from their community. A pattern of police corruption developed on such a scale that public outrage during the early 1970s finally led to the creation of an Independent Commission Against Corruption (ICAC). The ICAC is a civilian agency that continues to handle all allegations of law enforcement corruption.

The Criminal Intelligence Bureau of the Royal Hong Kong Police (RHKP) later described the period between 1967 and 1983 as a "renaissance" for the Triads. This renaissance was made possible by a combination of practical and legal limits on law enforcement activities, police corruption and official pronouncements dismissing the Triad threat. For example, the Fight Crime Committee on Triad Gangs concluded in 1977 that "Triad societies exist largely in name only, having degenerated ... into loose-knit gangs of criminals ..." Intelligence improved during the early 1980s, and several incidents forced a reassessment of prior rosy views. One critical incident was the clash of the Wo Shing Wo and Sun Yee On Triads in a violent struggle for supremacy in 1983. Under the leadership of Heung Wah Yin and the other Heung brothers, the Sun Yee On emerged as possibly the most powerful Triad in Hong Kong and an organization with global ambitions and capabilities.

The RHKP estimate that between 80,000 - 100,000 Triad members reside in Hong Kong. These Triads are aggregated into groups. The major groups are:

- Wo Group (14 Triads; 29,000 members)
- 14K (21 Triads; 24,000 members)
- Chiu Chow (11 Triads; 16,000 members)
- Luen Group (4 Triads; 5,000 members)
- Tung Group (5 Triads; 3,000 members)\*

The size, structure and viability of Triads as criminal organizations vary enormously. Some groups are essentially defunct while others have reestablished their power and prestige through an emphasis on ceremonial rituals and a strong traditional leadership structure. A few of the larger Triads operate outside of the Far East in areas such as Australia, West Germany, Holland, England, Canada and the United States. Among the Triads known to be active in the U.S. are the Sun Yee On, 14K, Wo Hop To, Wo On Lok and Luen Kung Lok.

#### Triad Organization

Under the traditional leadership structure, Triad ranks are based on Chinese numerology and occultism. The number "4" is of special importance representing the four elements, the four seas and the four cardinal points of a compass. Each Triad member is assigned a rank that begins with that number. The leader of a Triad is a 489 or Shan Chu; his deputy or

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\* There are other minor Triads as well as non-Triad criminal gangs, usually called "Mainland" gangs. The Mainland gangs are considered to be even more violent than the Triads. Although these gangs are not known to operate in North America, some analysts believe that they are important because of the pressure they place on Hong Kong Triads. Leaders of Mainland gangs are normally Communist sympathizers who are less likely to be affected by the 1997 changeover -- a reality well understood by the Triads. In addition, there are two large criminal groups based on Taiwan that operate in the U.S.: the United Bamboo Gang (12,000 members) and the Four Seas Gang (3,000 members). Taiwan is reported to have hundreds of non-Triad criminal gangs.

second-in-command is a 438\*. The Incense Master (Heung Chu) and Vanguard (Sing Fung) are both 438s and are of equal rank. Vanguards handle recruiting, and Incense Masters officiate at ceremonial rituals. Below the 438s are 426s or Red Poles. These men are usually trained in weapons and martial arts. Red Poles are enforcers and hit men who directly control some Triad groups. A 415 or White Paper Fan (Pak Tsz Sin) handles general administrative matters and a 432 or Straw Sandal (Cho Hai) handles liaison within Triad branches and among other organizations. Ordinary members or soldiers are called 49s.\*\*

Two of the most powerful and traditional Triads in Hong Kong today are the Sun Yee On and Fuk Yee Hing (both Chiu Chow). Although one of the largest Triads, the 14K is very fragmented; it has no 489, no central control and little or no coordination among its many branches. Most of the modern Triads lack a traditional structure and are run by a Red Pole who is often referred to as the Chairman. He governs through a central committee of six to nine men, usually including an Incense Master and a White Paper Fan as a treasurer.

#### COC/LCN Similarities

During the 1850s and 1860s, Mafia families played a key role in the unification of Italy. During the same period, Triad rebels in China were leading the Taiping rebellion against the Ching Dynasty. Both ultimately

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\* A Shan Chu may be called by several titles including General, Dragon Head or Mountain Lord. The number 489 represents the Chinese character for "Hung" (i.e., Hung Mun). Each of the numbers, by itself or divided into a formula, corresponds with some aspect of Triad mythology or occultism.

\*\* Diagrams of traditional and current structures appear in Appendix A.

evolved from secret societies with political agendas into organized criminal cartels. The similarities between these groups are listed below and are based on testimony by Professor Ronald Goldstock.\*

- Origins - Both began as patriotic organizations opposed to oppressive, foreign rule.
- Evolution - Both became corrupt and used their power to further criminal activities.
- Organization - Both developed effective systems for dividing responsibilities and activities.
- Subgroups - Both fragmented into smaller groups based on language, geography and the charisma of individual leaders.
- Symbolism - Both value silence and use secret rituals to promote bonding.
- Culture - Both value honor, family ties and the proper role of retribution.
- Insularity - Both increased their power by preying upon other immigrants.
- Management - Both faced discrimination in the U.S. and needed a strong organization to resolve disputes and promote group interests.
- Recruitment - Both offer a career ladder for the young whose work helps insulate top management.

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\* Mr. Goldstock is the Director of the New York State Organized Crime Task Force. He was the Inspector General for the U.S. Labor Department and the former Chief of the Rackets Bureau of the District Attorney's office in New York County.

- Crime - Both developed around gambling, extortion, prostitution and illegal intoxicants.
- Corruption - Both seek opportunities to corrupt public officials and use "front" organizations to hide illegal activities.
- Control - Both operate independently of the overseas parent organizations.

Perhaps the most important difference between the LCN and COC groups flows from their different rates of assimilation into the American mainstream. The Chinese have remained much more insular than Italian immigrants. Although the slower rate of assimilation may have economic consequences for the vast majority of Chinese, it has also inhibited COC leaders from making the transition into non-Asian businesses and civic institutions. One practical effect of this is to minimize opportunities for traditional labor racketeering. At the present time, Chinese labor racketeering is mostly confined to garment sweatshops, the restaurant trade and the entertainment business.

Several factors could enhance the future ability of COC to compete with the LCN in the labor markets. The power and influence of existing COC groups are rising, partly as a result of the opportunities created by the tide of new immigrants. American COC leaders also tend to be long-term planners who have adopted a strategy of building influence through a pattern of extensive investments in the community. As this process continues, they will be viewed less as outsiders and more as community leaders. Finally, the new generation of American COC leaders are much more Americanized than the old Tong bosses of Chinatown; many are educated, bilingual and successful businessmen.

#### The 1997 Issue

In 1997, sovereignty over Hong Kong and its associated territories reverts to the PRC, ending more than 150 years of British rule. The PRC/United Kingdom treaty specifies that Hong Kong's economic and legal system will not be changed for at least 50 years, and Hong Kong will become

a Special Administrative Region within the PRC. Given Hong Kong's importance as a world banking and trade center, this provision was designed to minimize negative speculation about the effects of the changeover. Speculation remains intense, however, especially about the local economy and the fate of Triad societies that remain in Hong Kong.\*

Despite official assurances that all subjects will continue to be afforded the protection of British law, some experts believe that "old scores" from the long period of Triad support for the Nationalists (KMT) are likely to be settled informally. Also, many current Triad activities, such as their control of mass transit, are known to be especially distasteful to PRC officials. There are other pressures on the Triads including competition from "Mainland" gangs operating in Hong Kong. Finally, the British government recently closed an important escape hatch by rescinding the "Landed Immigrant" policy that would have granted Hong Kong residents the right to resettle in Great Britain after 1997.

One question being posed is whether the Triads will flee Hong Kong prior to 1997. The more relevant question is what actions are Triad members likely to take in response to the 1997 changeover. While firm predictions are difficult, a comparison of available options and an assessment of PRC intentions offer some clues about the future.

The PRC has a strong interest in maintaining Hong Kong as a capitalist enclave. It presently generates about one-third of the hard currency flowing into the PRC's sluggish economy. Investors (legitimate and illegitimate) will be watching for the slightest indication that the PRC is not abiding by the treaty provisions. Unusually punitive or extra-legal measures taken against Triads could frighten an already-nervous group of

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\* The Hong Kong government has become so preoccupied with its image and the effects of negative speculation on the public order and its economy that it recently passed an "anti-slander" law featuring a two-year prison term for persons disseminating "false news" that might disrupt the public order. [Public Order (Amendment) Bill, 1986 and Control of Publications Consolidation (Amendment) Bill, 1986. Both measures became effective on March 11, 1987.]

investors. At the time of the changeover, almost 50 years will have passed since the 1949 defeat of the Nationalist forces and their Triad allies. Only a few Triad members will remain who participated in the fighting of that period. Retribution for past alliances is likely to be minimal and very selective.

An analysis of available options requires another look at the present structure of Triads and their current activities. Most Triads are not organized crime syndicates; they are too fragmented. In most cases, when Triad members join in a criminal enterprise, that group -- not the Triad -- is the organization. The profile of such an enterprise depends upon the wealth and power of its leaders. Although some of the wealthy and influential are major office bearers (438s and above), others have attained comparable status as organized crime figures without such formal positions.\* Regardless of the route to power, these people have the most options, have the most to lose in 1997 and pose the greatest threat to the U.S. and other potential havens.

Most Triad members are not wealthy or powerful and probably will remain in Hong Kong; they lack the means to do otherwise. For the majority, Triad membership is a prerequisite for involvement in a variety of legitimate businesses as well as illegal activities. Also, many Triad rackets are not exportable because they depend on Hong Kong's unique geography, politics or economy. For example, Triad members control the water and electricity illegally diverted to squatter areas. They run local monopolies ranging from fish markets to housing construction to dry goods for hawkers. Despite the powerful incentives for the Triads to remain in Hong Kong, there is no reason to believe that the new Hong Kong government will not move aggressively against organized crime. Although the breadth of any future move is difficult to predict, it will almost certainly be shaped by several factors including the political acumen of Triad leaders,

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\* The numerous Triad street gangs that specialize in extortion and intimidation are not generally involved in organized crime except as the instruments of others.

the experience and capabilities of the PRC's Public Security Bureau, and certain boundaries set by geopolitical realities. The most important reality is the visibility of Hong Kong and its role in international banking and trade. The PRC is likely to adopt a policy that evaluates law enforcement tactics as much for their effects on investor perceptions as on organized crime. If a cautious, "damage-control" policy were adopted, a massive Triad exodus seems improbable.

On the other hand, the ambiguous situation is already having an effect. Some ordinary Triad members are entering the U.S. and some of their former leaders are moving significant portions of their assets here as a hedge against the future. Both of these trends should accelerate during the next 10 years. The movement of people and money, however, are for somewhat different reasons, and in only rare cases do both represent the coordinated expansion of criminal cartels. The Sun Yee On Triad appears to be one of these exceptions.

The implications of the Hong Kong divestment process may be the most troubling aspect of the future changeover. Triad leaders seem to have two distinct types of U.S. investment strategies. One is to purchase a conservative and diverse array of assets that offer some return while providing a safety net if conditions deteriorate in Hong Kong. This type of contingency planning suggests an expectation that Hong Kong will remain a preferred business location. A second strategy reflects a decision to increase organized criminal activity in the U.S. Several Hong Kong OC leaders travel frequently to the U.S. and appear to coordinate their activities with American COC groups such as California's Wah Ching or New York's Tung On. If the divestment process accelerates, which seems likely, competition among displaced Triads, American COC groups, and the increasingly powerful Vietnamese may lead to violence.

In sum, expanding opportunities in the U.S. and fears about the anticipated changeover in 1997 are the primary reasons for the current influx of people and money from Hong Kong. While our immigration laws are giving many Chinese an opportunity to build a brighter future in the U.S., intelligence reports indicate that wealthy leaders from a few Triads are

probing the U.S. and developing outposts here. As 1997 approaches, this type of activity should intensify. The ramifications of this will depend on the organization and capabilities of the various Triads, the degree to which they are tied to the local situation and their beliefs about the future of Hong Kong. Most Triads and their leaders probably will stay in Hong Kong, but that may be of little solace if only a few of the most cunning, wealthy and dangerous men move here.

#### AMERICAN GROUPS

As described in Chapter II, immigration quotas for Asian countries were very strict prior to 1965. Although a few street gangs existed in America's Chinatowns during this period, they were small and unsophisticated. The flood of immigrants into the U.S. that began in 1966 provided the raw material for future street gangs. Eventually, a few of these gangs matured into organized criminal groups of national importance.

Among the earliest gangs to appear were the Wah Ching in San Francisco about 1968 and the Ghost Shadows in New York about 1972. The members of these and other new gangs were usually recent immigrants, many of whom were sponsored by "paper parents." The real parents frequently remained overseas, and some of the sponsors did not or could not raise the children in a proper environment.

In several areas, the new immigrants changed the balance of economic and social forces that had characterized Chinatowns for the previous four decades. New immigrants tended to be young, unskilled and unable to speak English. They clustered in Chinatowns, creating a shortage of housing and straining social service capabilities. A rift deepened between the American-born Chinese (ABCs) and the new immigrants, sarcastically referred to as FOBs (Fresh Off the Boat).

Many of the early street gangs began as groups of FOBs formed to protect themselves from attacks by ABCs. Delinquent activities expanded as the gangs grew in size and boldness. In some cities the Tongs adopted certain street gangs and used them as lookouts for their gambling operations and as collection agents. At the same time, the street gangs were becoming more involved in independent criminal ventures.

Violent struggles for territory and influence accompanied the proliferation of street gangs in the 1970s. In San Francisco, there were 50 gang-related homicides between 1967 and 1977. In 1977, matters came to a head as the Cheung Ching Yee gang attempted to steal several hundred thousand dollars from fireworks sales controlled by the Wah Ching. After five separate gun battles on July 4, the Wah Ching routed the other gang and disgraced their leader. Two months later, the Cheung Ching Yee attempted to take revenge. A raiding party equipped with shotguns and automatic weapons burst into the Golden Dragon restaurant and began shooting. When it was over, they had killed five persons and seriously wounded 11. Incredibly, all of the Wah Ching escaped unharmed.

That event solidified the power of the Wah Ching in San Francisco. Symbolically, it also marked the beginning of a new era in which Chinese street gangs had become too powerful to ignore.

Today, a few of the old street gangs have evolved into sophisticated criminal organizations. In most cases these new COC groups continue to affiliate with one or more Tongs. Although the Tongs do not carry the same level of influence as in the past, their political and business connections are essential to organized crime. Moreover, some Tong leaders continue to influence gang activities and are themselves deeply involved in criminal conspiracies.

The next two chapters discuss the most important criminal groups and their leaders.

CHAPTER IV

PRIMARY COC GROUPS AND PRINCIPALS

THE WEST COAST

Wah Ching

The most developed Asian criminal group on the West Coast is the Wah Ching (literally, Youth of China). Headquartered in San Francisco, the group has branches in Los Angeles, Seattle, Vancouver, Toronto and New York. It is an international criminal cartel with close ties to leaders of the Sun Yee On and 14K Triads in Hong Kong and the Kung Lok Triad in Canada. From its origins in 1968 as a gang of street toughs working as lookouts for Hop Sing Tong gambling houses, Wah Ching leaders now control a vast array of legal and illegal business enterprises in North America including nightclubs, entertainment holdings, jewelry stores, travel agencies, medical services, gambling clubs and gas stations. Several years ago the California Bureau of Organized Crime and Criminal Intelligence (BOCCI) upgraded the Wah Ching from a street gang to an organized criminal group. BOCCI, through a new Asian Gang Advisory Board, has developed a uniform system to collect and disseminate information on Asian criminals.\*

The Wah Ching is reported to have about 600-700 members and associates. About 200 of these are considered "hardcore" members by BOCCI. The leader of the Wah Ching is 36-year old Vincent Kun Jew (AKA Chau King

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\* In a related development, Canadian RCMP officials recently upgraded the status of Asian organized crime by creating a special section for it within their information exchange network known as the Automated Criminal Intelligence Information System (ACIIS).

Keung). \* Jew appears to be closely affiliated with the Sun Yee On Triad and has stayed as a guest at the Triad leader's home in Hong Kong. He is assisted by four deputies: Tony Young, Allen Jew, Danny Wong and Johnny Shek Kan Yee. Danny Wong has a cadre of Viet Ching (ethnic Chinese from Vietnam) who work for him on debt collection and enforcement matters. Johnny Yee also has a group of Viet Ching under Tony Yan, one of his lieutenants. Yee and Young control a large group of legitimate and illegitimate businesses in Los Angeles. Allen Jew (Vincent's brother) is in the nightclub business and appears to be involved in cocaine sales. About 30 Wah Ching are considered to be in gang management positions.

Although the Wah Ching organization has a strong leader, it is decentralized in some respects. Vincent Jew, the acknowledged leader, does not appear to control all of his deputies' activities. Even within a well-developed organization like the Wah Ching, there is a certain organizational fluidity that seems to characterize all COC groups. For example, Johnny Yee and Tony Young collaborate on some ventures in southern California and work others independently.

#### Other Groups

Although the Wah Ching dominates the West Coast, a number of competing groups are vying for control of Asian rackets and are putting pressure on the Wah Ching. This is especially true in the greater Los Angeles area. Some local and federal law enforcement officers believe that gang wars in southern California are inevitable as Viet Ching groups grow more powerful and sophisticated.\*\*

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\* Appendix B is a list, by region, of the Chinese persons appearing in this report. The writer has made no attempt to Romanize names according to one standard system. For example, Benny Ong does not appear later as Benny Ng. Appendix C discusses some of the issues in understanding Chinese names.

\*\* Last March, Tony Young's car was shot up by a member of a competing Viet Ching group led by Hak Kwai. In retaliation, Brian Chen, a Pai Gow dealer at the Bell Club, and believed to be a Hak Kwai gang member, was dragged out of a restaurant by soldiers under Johnny Yee's direction. As Tony Young watched from his car, Chen was beaten savagely and left on the parking lot.

Another destabilizing source of pressure comes from growing Triad and Taiwanese gang activities in California. In Emeryville, just across the bay from San Francisco, Alfred Chu and members of the Wo-Hop-To Triad reportedly control legal and illegal gambling, loan-sharking and prostitution. Also active in California are Peter Tsui (14K Triad), David Yang (United Bamboo Gang), William Tse (Kung Lok Triad) and Michael Jai (Sun Yee On Triad).

#### NEW YORK CITY

To some extent, New York still retains the links between street gangs and Tongs. There are three powerful Tongs in New York: Hip Sing, On Leong and Tung On. The leadership of each is believed to be controlled by COC figures.

#### The Tongs

Formal leadership of the Hip Sing Tong is a complex arrangement of co-presidents, chief officers, executive staff, coordinators, external relations and assorted administrators. Informally, the power resides in Hip Sing's "Advisor-in-Chief for Life," the 78-year old Benny Ong (AKA Uncle 7, AKA Fei Lo Chat). Ong, who was paroled in 1952 after serving time for a homicide conviction, is believed to make all of the important policy decisions for the Tong.

Leadership of the On Leong Tong appears to be shared by Chan Wing Wah, chapter president, and Chan Wing Yuen, who resides in New York and is the powerful national co-president. Also influential in the Tong is Ray Cheng (AKA Cheng Wei Mun) who is believed to be a major cocaine distributor. At least one source believes that Cheng has stepped into the void created when former On Leong Tong president Eddie Chan fled the country. Some of the smuggling of aliens and narcotics appears to be done through Cheng's business, the Manex Travel and Trading Company (formerly Patria International Travel Agency). The power-sharing relationship between Cheng and the On Leong Tong's acknowledged leaders is unknown.

Prior to 1986, Eddie Chan (AKA Chan Tse Chiu), a former detective sergeant with the Hong Kong Police Department, was the chapter president and former honorary national president of the On Leong Tong. During the intensive anti-corruption drive of the mid-1970s, Chan and about 40 other senior policemen fled the colony with millions of dollars.\* Assisted by his extensive contacts and wealth, Chan built an impressive financial empire from his base in New York. Among his holdings were restaurants, a funeral home, the United Orient Bank of N.Y. (majority stockholder) and King Lung Commodities (later Golsom International). The now-defunct commodities operation appeared to be involved in a pattern of systematic fraud. Eddie Chan left the U.S. in 1985 after the President's Commission on Organized Crime referred to him as the "godfather" of Chinese organized crime. He is reportedly in Paris and has divested himself of most U.S. holdings.

The Tung On Tong is headed by Clifford Wong. He is closely associated with Kwok Foo Lai, president of the Tsung Tsin Association (a regional or village group) and Fu Jung, president of the Fay Chow Merchants Association. All of these are legitimate groups, although the Fay Chow group sponsors a gambling house. Among Wong's holdings is the Wei Tung Bo Federal Credit Union. Once legitimate, the Credit Union is now believed to be used extensively for loan sharking and money laundering.

#### The Gangs

Each of these Tong's sponsors a street gang. The Flying Dragons Gang, led by Johnny Eng (AKA Onionhead)\*\* and Michael Yu (AKA Fox), is attached to the Hip Sing Tong. During the last three years, the Dragons have recruited heavily among Vietnamese youths who now comprise about

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\* Five were so notorious that they were called the "Five Dragons:" Choi Bing Lung, Chen Cheung Yu, Nam Kong, Hon Kwing Shum and Lui Lok.

\*\* Eng is believed to be one of the most important heroin distributors in New York.

one-quarter of the estimated 50 gang members.\* The Dragons operate from Pell and Doyers Streets in Chinatown and are reported to have branches in other major cities, including Dallas, Houston, Atlanta and Washington, D.C. The existence of a highly mobile "flying squad" that operates throughout the U.S. has been reported by one source.

The Ghost Shadows Gang is attached to the On Leong Tong and has a total membership of about 45. Money from gang extortions, a traditional source of revenue, still flows up to the Tong leadership and is subsequently redistributed according to existing agreements. In many respects, however, the Shadows is an independent organization that works with, rather than for, the On Leong Tong. During the last two years, gang leadership was decimated by a series of Racketeer Influenced and Corrupt Organization (RICO) convictions. The gang's former leader, Peter Chin (AKA Kit Jai), is now in prison along with more than 20 members of the Shadows. Since the RICO prosecutions, the gang has split into two sections headed by James Lee (AKA Bradley Joe) and Gai Lo. Members of the Shadows are known to work as mid-level heroin couriers, travelling frequently to Toronto, Boston, Chicago, New Orleans and Miami. At least some heroin distribution occurs in collaboration with New York and Chicago LCN families.

Clifford Wong heads both the legitimate Tung On Tong and the associated Tung On Gang. Daily operations are handled by his brother, Steven Wong (AKA Tiger Boy), who works to maintain his older brother's reputation as a legitimate businessman. For enforcement work, Wong relies on William Chan (AKA Alligator). The gang is estimated to have 30 members in New York City with branches in Philadelphia and Portland, Maine. The Tung On is involved in gambling, extortion, at least five homicides and a pattern of heroin trafficking. Heroin for the Wong organization (Tung On) comes from Paul Sau Ah Ma (AKA Buck Teeth) and ultimately from Hung Tang (AKA Dice), an established international heroin trafficker.

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\* The Vietnamese section leader, Li Chi Cuong, is currently serving a two-year sentence for robbery.

Within the last two years, the Tung On organization has allied itself with the Sun Yee On (SYO) Triad. This relationship appears to be a significant alliance that extends beyond the typical pattern of former Triad members joining existing American COC groups. The SYO Triad has detailed between 10 and 15 of its members to the New York Tung On organization.\* Some of these people may be SYO "office bearers," although most are enforcers (Red Poles or 426s). Among other duties, the Red Poles are providing security for gambling houses. In February 1987, unknown assailants shot and killed two of these SYO Red Poles (Chi Man Wong and Joe Wong) in New York's 68th precinct.

A recent development was the arrival in New York of an associate of the West Coast Wah Ching known only by the nickname "Ronnie." According to NYPD Intelligence, Ronnie was made a Tung On deputy immediately, equivalent to Steven Wong, and reporting only to Clifford Wong. Ronnie is guarded by SYO Red Poles. The significance of this development is unclear, although Vincent Jew's Wah Ching organization is known to be associated with the SYO.

#### Other Groups

The Big Circle Gang, sometimes known as the Big Red Circle, is a Hong Kong based group that operates in New York. Big Circle members are believed to be a rather loosely organized group of expatriates who specialize in narcotics trafficking and avoid competition with local gangs over "turf." The Ghost Shadows Gang is believed to use the Big Circle as a regular source of heroin.

Other small groups in New York include Herbert Kie Chan Liu's Chinese Freemasons (Kam Lan Chai).\*\* According to the Royal Hong Kong police, Liu is a Hung Mun (Triad) member as well as a former member of the Hip Sing

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\* A consensus on the SYO/Tung On alliance emerged from a recent meeting in New York attended by New York FBI, NYPD Intelligence and the visiting Superintendent of the Royal Hong Kong Police Intelligence Bureau.

\*\* The term "Freemasons" refers to the original Triad (Hung Mun) movement and not to the masonic movement as we know it.

Tong. On December 23, 1982, four masked men carrying Uzis and pistols shot 11 people at the Freemasons' hangout on East Broadway. Authorities suspected the Flying Dragons, under Benny Ong's direction, because of a growing dispute between Ong (Hip Sing) and Liu (Freemasons). Liu's organization has maintained a very low profile since this incident.

The United Bamboo is believed to be relatively inactive in New York since the successful federal prosecutions during 1985-1987.

The Fuk Ching is a group of Fukienese (a province of China) who specialize in heroin trafficking. The group's leader is reported to be Paul Wong.

The White Tigers is a small street gang that operates in Queens and Manhattan. Little is known of this gang's activities.

#### BOSTON

##### Ping On Gang

Boston has the fourth largest Chinese community in the U.S. and a rapidly growing Vietnamese population. Each of these groups has a criminal organization that preys upon its own community and occasionally upon each other. Stephen Tse (AKA Tse Chun Wah, AKA Skydragon) leads the Chinese gang known as the Ping On (sometimes called Kung Cheng). Authorities believe the gang has about 200 members.

After he was paroled in 1977 on an armed robbery conviction, Stephen Tse formed an alliance with Harry Muk that has lasted 10 years. Muk, who was convicted of tax evasion in 1986, is an influential merchant-criminal and son of the co-founder of the On Leong Tong in America. Although Muk plays no direct role in managing Ping On activities, he remains a powerful figure in the Chinese community and reportedly directs and finances the money laundering and heroin trafficking done by his subordinate, Joe Bow Fong.

Tse and his organization are known to be involved in the heroin trade and are reportedly experimenting with innovative methods of smuggling heroin, such as placing it inside frozen fish and saturating imported rugs.\* During the past several years, Tse has made at least two trips to the PRC to negotiate the purchase of large quantities of number four heroin.

In addition to narcotics trafficking, the Ping On is involved in extortion, gambling, loan sharking, alien smuggling, prostitution and the entertainment business. Tse's company, the Eastern Arts Promotion Corporation, facilitates some of these illegal activities and is the only company in Boston that books Chinese entertainers. It is well-known among Chinese businessmen that only certain companies in major North American cities are "authorized" to book entertainers from the Far East.

Current agreements among North American COC leaders regarding the handling of entertainers date back to a January 1983 meeting at the New World Hotel in Hong Kong. Later dubbed the "Hong Kong Summit", this meeting allegedly produced an agreement on important matters of mutual interest, including the entertainment business.\*\* Since then, meetings among principals to work out specific arrangements have been common. For example, in July 1986, Stephen Tse, (Ping On, Boston), Danny Mo (Kung Lok, Toronto) and Ringo Yu (Kung Lok, New York) met to negotiate expanding the Chinese Opera tour from New York to Boston (Eastern Arts Promotion Corporation) and Toronto (K.M. Oriental Arts Promotion, Inc.).

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\* In 1983, Paul "Fat Boy" Kowk (Kung Lok Triad) was arrested in San Francisco with 10 pounds of heroin. He told DEA agents that his North American contacts were Stephen Tse, Vincent Jew (San Francisco), David Chan (New York) and Danny Mo (Toronto).

\*\* Among the attendees were Vincent Jew, Tony Young, Danny Mo, Stephen Tse, Michael Pak, Peter Man and Lau Wing Kui. Other such meetings have been rumored. Another summit meeting of this type took place in Hong Kong during January 1987. Known attendees were Vincent Jew, Stephen Tse and the Wong brothers (Clifford and Steven) from New York.

Stephen Tse was released from prison in February 1986 after serving 16 months for refusing to testify before the President's Commission on Organized Crime. He returned to find his traditional sources of income from gambling and protection monies had been reduced as a result of Vietnamese robberies and extortions. Later that year, Cao Xuan Dien, the Vietnamese leader in Boston, forced Tse to negotiate a "settlement" with him. Tse's problems were not over. He remained in Hong Kong nine months after the January 1987 summit, reportedly because he feared being linked to the contract killing of Son Van Vu last January in Los Angeles.\*

During his absence, Michael Kwong, one of Tse's deputies, managed the Ping On Gang. Some intelligence analysts believe that little changed during Tse's absence. Others believe that the Ping On organization is becoming less cohesive as more members pursue independent ventures.

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\* Tse reportedly arranged for Ah Sing, a notorious Vietnamese enforcer, to execute Son Van Vu while Tse was in Hong Kong on business. The dispute was over the theft of more than \$30,000 in gambling proceeds.

CHAPTER V

CRIMINAL ACTIVITIES AND ASSOCIATIONS

GAMBLING AND LOANSHARKING

Gambling is an accepted part of life within Chinese communities. Among the commonly played games are Fan Tan, Tein Gow, Mah Jong and Pai Gow. Of these games, Pai Gow has become so popular that Caesars Palace has added tables for it.\* Betting on Pai Gow tends to be very heavy. One club in California has Pai Gow tables featuring a \$1,000 minimum bet. It is not unusual to see \$200-400 thousand in play at one time among the tables.

Since high-stakes gambling is illegal in most American Chinatowns, gambling games are normally found in the local Tong headquarters and in houses sponsored by COC figures in the community. Historically, "look-see" boys protected these games by reporting the presence of police or rival gangs. In some areas, the development of Chinese youth gangs coincided with their employment by the Tongs to protect regular gambling games. This practice is less common now as youth gangs have evolved and become more independent.

Today, most illegal games are sponsored by the most powerful group in the community or by a group that has purchased protection. The amount paid for protection can be considerable. Prior to his assassination in 1983, Michael Chan worked as the right-hand man of Chat Suk, operational leader of the Hip Sing Tong in New York. According to an informant, his annual income from protection monies on one street in New York averaged \$1.5 million.\*\*

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\* Pai Gow is played with 32 dominoes. A dealer distributes one stack of four dominoes to each of five to seven players. The object of the game is to set the dominoes into two pairs for the best "ranking" combinations.

\*\* Based on an interview of Lau Wing Kui (Kung Lok founder in Canada) conducted by the Royal Hong Kong Police Intelligence Bureau. Also, Eddie Chan is reported to have ordered the assassination of Michael Chan.

Some arrangements for protection are made with non-Asians. For example, the On Leong Tong in Chicago pays a negotiated "street tax" to the LCN for its gambling operations. In New York, COC and LCN figures are reported to have collaborated in establishing illegal gaming houses. The LCN has even fronted loansharking capital to COC figures.

Financial arrangements among Asians can be very elaborate. For example, a gambling house might agree to the following for protection: (1) assign one or more "shares;" (2) pay a fixed protection fee; and (3) employ several members of the organization providing protection. Shareholders would receive their portions of the profits on a weekly or bi-weekly basis. When a single large game is organized, a "tribute" normally is paid as a fixed fee or a percentage.

Not surprisingly, disputes over control and robberies by rival gangs can become violent. In 1983, a gambling dispute in Seattle between the Bing Kung and Chu Kung Tongs culminated in the Wha Mei massacre; thirteen persons were tied up and executed. Last year, Vietnamese robberies of Ping On gambling houses in Boston became so widespread that Stephen Tse was forced to negotiate a settlement with the local Vietnamese gang leader.

#### California Card Clubs

In the Fall of 1984, several California communities began exercising a local option to license gambling facilities known as "card clubs." These clubs offer a list of approved games, including Pai Gow and Pai Gow Poker. State law prohibits many traditional games like Blackjack and Roulette. In a typical club, about 20% of the patrons are Asians who play Pai Gow and other Chinese games. Collectively, these games account for substantially more than 20% of the clubs' income. At the Bicycle Club, for example, Pai Gow provides about one half of the net revenue reported each month.

In California, the Wah Ching control most of the illegal and legal Pai Gow. Although all of the clubs are licensed and regulated by the Gaming Registration Unit, Pai Gow and other Asian games are unregulated and are

frequently controlled by COC figures.\* Tony Young (Vincent Jew's deputy) appears to manage gambling operations for the Wah Ching and even worked as a shift manager at one of the clubs until local police removed him.

Other groups are working to extend their influence in California. Members of the 14K and Wo Hop To Triads are becoming more involved in legal gambling. The Pai Gow General Manager at the Bicycle Club is Sou Hong Wong, reportedly a Wo Hop To Triad member. Vietnamese are becoming very active in several clubs. Two years ago, the California Bureau of Organized Crime and Criminal Intelligence (BOCCI) ran checks on 700 applications for Pai Gow positions at licensed card clubs. Results showed that 120 had criminal records and 56 were known Asian gang members.

Law enforcement officials believe that an extensive amount of money laundering and profit skimming takes place in card clubs. A comparison of reported receipts with estimates prepared by informants suggests a pattern of extensive underreporting of income from Pai Gow tables. At the Bicycle Club, gross monthly receipts are estimated at \$50-55 million. Reported net revenue averages about \$1.1 million (2%). Actual net revenue may be about \$6 million. In contrast, the Commerce Club is believed to launder \$300-400 thousand each month by declaring monthly revenues in excess of actual receipts. The cost to launder these funds is an 8% tax paid to the city.

At clubs with large Asian clientele, other services including prostitutes, narcotics and loans are available. A floorman at one club was reported to be a bag man for a brothel operated by the Wah Ching. The most commonly quoted rate for loans is 10% per week. One source indicated that preferred customers could obtain a 10-week loan at 30%. Loansharking at Pai Gow tables has included collection of motor vehicle registrations and trust deeds as collateral. Enforcement is usually contracted out to the Viet Ching. Sometimes an example is made of certain offenders. On New Year's Day, 1985, Wing Law, the Pai Gow manager for the Huntington Park Club, was found strangled in the trunk of his car at Los Angeles International Airport.

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\* Among the card clubs with Pai Gow operations dominated by the Wah Ching are Artichoke Joe's, Huntington Park, Commerce, Horseshoe and Bell Club.

One of the most troublesome aspects of COC involvement in card clubs is the potential effect on local government. Many communities agreed to these casinos as rescue measures. Massive immigration has eroded tax bases and disrupted local economies in several counties. Where communities have come to rely on gambling proceeds as a critical source of revenue, COC leaders are in a position to influence local government decisions.

### Atlantic City Casinos

The 12 casinos in Atlantic City offer the only legal casino gambling in the East. Several of them have Oriental Marketing Directors who promote and organize junkets, issue credit limits to known players and authorize a variety of complimentary services ranging from free transportation to expensive gifts.\* In one case, Peter Chan, an associate of Clifford Wong (Tung On), was promoting the Trump Castle in New York's Chinatown and organizing bus trips into Atlantic City. New Jersey authorities indicted Peter Chan on October 5, 1987 for paying Willard C. Howard, the Vice President of Trump Castle, more than \$200,000 in kickbacks between 1985-1987. The multiple-count indictment also charged Howard and several other employees with conspiracy and commercial bribery.

Occasionally, casinos are victimized by sophisticated cheating conspiracies. In an indictment unsealed on June 30, 1987, the New Jersey Attorney General publicized details of a cheating system at baccarat that cost two casinos more than \$2.7 million. The seven-count indictment charged 14 Chinese persons from Hong Kong, Toronto and California with a variety of theft, cheating and swindling offenses.

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\* The casinos with heaviest Chinese and Vietnamese patronage are Caesars Boardwalk Regency, the Tropicana, the Sands, Resorts International and Trump Castle.

HEROIN TRADE

"Chinese heroin traffickers are now establishing themselves as the dominant force in the New York heroin marketplace."

- DEA SAC, New York Division, July 1987

In 1980, law enforcement authorities seized only eleven kilograms of Southeast Asia (SEA) heroin in the United States. Today, it is believed to account for more than 20% of the heroin coming into the U.S. Opium production in the Golden Triangle (Burma, Laos and Thailand) has risen from an estimated 815 metric tons during the 1983/84 season to about 1,100 metric tons during the 1985/86 season. Harvest estimates for 1986/87 are even higher. Analyses of uncut SEA heroin consistently show purity levels above 85%, resulting in higher retail purity today than at any time since 1977. This phenomenon is partly explained by the large quantities of SEA heroin being brought into the U.S. by Thai nationals and Chinese traffickers.

During the last five years, Hong Kong has become a major transshipment center for SEA heroin. This development coincides with the growing involvement of COC in the heroin trade, and is especially visible in New York City. A recent DEA analysis of heroin seized in New York shows that the percentage of heroin originating in SEA rose from 3% in 1982 to 40% in 1986. One explanation for the growing role of the Chinese in heroin trafficking is that federal law enforcement efforts, including the recent successes in prosecuting major LCN and Mafia figures, created a void that has been filled by Chinese criminal organizations. These organizations do very little retail distribution. Instead, they depend upon existing distribution networks developed by the LCN, Hispanic and other ethnic groups. The LCN appears to play a major role in the distribution of SEA heroin.

Heroin from SEA usually originates in Thailand and travels to the U.S. aboard commercial flights and in containerized cargo.\* Large shipments are normally sent as cargo, while couriers on commercial flights tend to carry

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\* Traffickers have sent SEA heroin through the mail, in wood carvings, candy boxes, frozen fish, steamer trunks, wall plaques, electronic equipment and Thai furniture specially designed for heroin shipments.

much smaller loads of about three pounds or two "units."\* Both direct and circuitous routes are used, including transits through Hong Kong, Singapore, Tokyo, Seoul, Taipei, Panama City, Asuncion, Amsterdam and London. Some SEA heroin is being smuggled from the Golden Triangle through the Peoples Republic of China into Hong Kong.

From overseas transit points, SEA heroin is frequently transshipped through San Francisco, Vancouver, Seattle or Toronto, to its final destination, New York. About one-half is consumed there; the remainder goes to other large east coast cities such as Boston and Washington. Smaller quantities of SEA heroin are shipped directly to Los Angeles, Chicago and other cities with substantial addict populations. Seizures, which are one indicator of smuggling activity, have been quite large in some cases. In 1985, for example, U.S. Customs agents seized 212 pounds of high-grade SEA heroin packed into ice buckets and arrested two Chinese males in Seattle. Further investigation documented more than 100 prior trips through Seattle to New York by the same organization. The August 1985 seizure of 233 kilograms of SEA heroin on a Greek ship was destined for one of the "Pizza" case defendants in New York.

Members of numerous COC groups are known to be involved in the heroin trade.\*\* It is not unusual for the leaders of these groups to travel to Hong Kong to arrange heroin shipments and transact other business. Among the frequent travelers to Hong Kong are Vincent Jew (San Francisco), Peter Tsui (Los Angeles), Johnny Eng (New York) and Stephen Tse (Boston). Members of street gangs such as the Flying Dragons also travel to SEA where they purchase relatively small amounts, usually two or three units each. These low-level ventures are very profitable and require little planning and few connections. A pound of number four heroin bought in Bangkok for about \$4,000 is worth about \$70,000 in New York.

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\* A unit equals 700 grams, which is the smallest amount normally sold by Chinese traffickers.

\*\* Some of the most important groups are the Kung Lok, Wah Ching, Big Circle, Ghost Shadows, 14K, Ping On, Sun Yee On, Fukienese, Chiu Chow, Tung On and United Bamboo.

The role of these COC groups and their members in the heroin trade can be very complex. For example, the Chiu Chow (who ship much of the morphine base and heroin from Thailand) and the Fukienese (who bring much of the heroin into New York) are not Triads. They are kinship organizations based on ethnic subgroups within China, and they specialize in heroin trafficking. In contrast, the Sun Yee On and 14K are Triad societies that traffic in heroin as one of numerous illegal businesses. One of the largest heroin traffickers in the world, Kon Yu Leung, is unaffiliated and operates an organization that is believed to bring more than 1,000 pounds a year into New York from Bangkok. The Wah Ching is a uniquely North American organization, although it works with and operates like the Hong Kong Triads. At times, members of a COC group will form subgroups for special ventures. For example, members of the Kung Lok Triad are trafficking in heroin. However, it may be misleading to describe this activity as a Kung Lok enterprise. Finally, a number of unaffiliated entrepreneurs are trafficking in SEA heroin, including Hong Kong businessmen who need an invisible means of relocating assets to the United States.

#### EXTORTION AND RACKETEERING

"Today is a beautiful, sunny day. The weatherman says that rain will come tomorrow and water the flowers. Maybe you will enjoy them when the sun returns, but perhaps you will fertilize them."

- Chinese extortion note

Extortion of restaurants, shops and other businesses in Chinese communities is widespread. In New York, for example, law enforcement officials believe that street gangs are extorting over 90% of the businesses in Chinatown. Merchants regard payments as a cost of doing business. Complaints to the police are rare, especially among foreign-born Chinese. New businesses are also very vulnerable to demands for protection money. A consensus among law enforcement and community leaders indicates that San Francisco is a notable exception to the general pattern of extortion in Chinese communities. This exception appears to have resulted from a combination of local police pressure and concern within Wah Ching management over bad publicity and the profile of its organization.

Requests for extortion money are frequently indirect. One shopkeeper who complained to authorities encountered an incredulous jury when he explained that the extortion request was for "a donation" to meet rental expenses for some associates. Making threatening phone calls and smashing windows are common tactics against reluctant businesses. If a restaurant owner needs convincing, the gang may visit, order a large quantity of food, become very rowdy, and refuse to pay. Since restaurant patrons recognize the gang and its tactics, few are willing to return until protection money can assure an uneventful meal.

Payments are usually at a fixed monthly rate. This amount varies widely but is most often reported to be between \$200 and \$1,000 monthly. Occasionally, an arrangement is made for a percentage of gross receipts or profits. "Private" extortions, not sanctioned by gang leadership, also occur. In some areas, extortion money is passed upward to the sponsoring or controlling organization and subsequently redistributed to gang members and enforcement personnel. This practice does not occur where street gangs operate independently from Tongs or other COC groups.

Shops and restaurants are not the only targets of extortion efforts. In June 1985, a Taiwanese businessman contracted with United Bamboo leader An Lo Chang (AKA White Wolf) to collect a \$275,000 "debt" from a California businessman. Two United Bamboo Gang members kidnapped the local businessman's secretary under the impression that she was his wife. The secretary, who was released shortly after the mistake was discovered, identified her captors. All three men were charged with conspiracy, kidnapping and extortion. An Lo Chang is currently serving a 15-year sentence on a heroin conviction.

Extortion is also used symbolically. One of Vincent Jew's associates is Tran Asau, a powerful Vietnamese leader who was recently acquitted of homicide charges in Toronto. Last year, Jew (Wah Ching) was involved in difficult negotiations with Canada's Kung Lok Triad regarding the entertainment business. A meeting was arranged between Vincent Jew, Tran

Asau and Charlie Kwan (treasurer, Kung Lok Triad) to work out an agreement. During the meeting, apparently by prearrangement, Jew reportedly rose and walked from the room while Asau extorted a large sum of money from Kwan. After a few minutes, Jew returned to find a more flexible Kung Lok bargaining position.

### Chinese Video Cassettes

During the last five years, Chinese video cassettes have become a multi-million dollar business in North America. Offerings range from new movies, to Chinese soap operas, to dubbed reruns of old American shows like "Gunsmoke." Video cassettes are exported by two Hong Kong distributors, the largest of which is Hong Kong TV Broadcasts, LTD. (HK-TVB). In the United States, Jack Soo has been the exclusive licensee for HK-TVB since 1981. Initially, Soo had two problems: pressure from Vincent Jew to form a partnership with him, and scores of existing outlets featuring pirated video cassettes. After Soo declined Jew's initial overtures, Wah Ching members shot the windows out of Soo's office and threatened him. Jew also visited Soo's office and reportedly pressured Soo by commenting on the attractiveness of his wife and children. Subsequently, a partnership was formed in which Jew became the "Marketing Director" for Soo's business, Hong Kong TV Video Programs, Inc.

Jew appears to have been extremely effective as Marketing Director. With few exceptions, competitors have gone out of business or accepted contracts as sub-licensees under Hong Kong TV Video Programs, Inc. Uncooperative retailers have had their stores shot up and fire-bombed by suspected Wah Ching. In one case, a Cambodian woman refused to sell despite threats and property damage by gang members. Finally, after a telephone call from Tony Young, she sold her rights to Soo.

### Live Entertainment

The booking and handling of entertainers from the Far East appear to be controlled by COC. Members of the 14K Triad reportedly dominate the entertainment industry in Hong Kong. To organize a U.S. tour, an American COC leader would begin by travelling to Hong Kong and paying a fee up-front to the appropriate 14K member. Also, the entertainer must agree to kick back a percentage of total earnings to the sponsoring group. While touring in North America, entertainers pass through a predictable set of hands and places. A typical tour might begin in San Francisco (Vincent Jew), proceed to New York City (Clifford Wong), to Boston (Stephen Tse), to Toronto (Danny Mo), and return to Hong Kong. There are frequent special engagements in night clubs and casinos in Las Vegas (Vincent Jew) and Atlantic City (Peter Chan) that cater to Asian clients.

Financial arrangements are made through a complicated set of interrelated businesses, most of which are exempt from cash reporting requirements. For example, Vincent Jew is the owner or partner in the following: Grandview Productions, Li Sing Productions and Kingman Productions, Inc. He is also a hidden partner in several nightclubs. Vincent Jew's deputies (Johnny Yee and Tony Young) control other entertainment companies, including New Yat Hing Production Co., Ltd. and Walters Productions.

### Nightclubs

Investigators have documented COC ownership of numerous nightclubs in New York, Los Angeles and other cities. As one example, the Hollywood Nightclub in Queens, New York was owned by members of the On Leong Tong and Ghost Shadows: Mik Kui Tong (AKA Micky Yip), Hung Tang (AKA Dice) and Pen Han Ting. The club had obtained its license from the state of New York through fraud. It employed approximately 30 "hostess girls" from Taiwan and Hong Kong who provided entertainment and companionship for the club's

Chinese patrons. All of these women were in the United States in violation of their immigration status. Investigation also revealed that the club was used as a base for heroin trafficking. The Hollywood Nightclub closed in July, 1986 after Peter Lu, a customer, was gunned down by members of the Ghost Shadows during a dispute in the club.

PROSTITUTION AND ALIEN SMUGGLING

"They told me I could make \$3000 a month if I worked as a prostitute in America."

- Chinese prostitute

Brothels that cater to Asian clients operate in numerous large cities in the U.S.\* These brothels range from small independent operations to nationwide networks operated by Chinese (and Korean) organized crime syndicates. In some cases, members of an organized crime group will operate one or more brothels as an independent venture. For example, a member of Boston's Ping On gang operated a bordello for Asian clients until November 1986. Neither the Ping On nor any other organized crime group appears to have sponsored or controlled this activity. Debriefing of the women working in the Boston house indicated that many had previously worked as prostitutes in various cities through the country, including Washington, Philadelphia, Dallas, New York and Los Angeles. However, these women denied that their movement was arranged by anyone.

An analysis of toll records in the Boston case reveals an extremely heavy volume of interstate and international calls. There were repeated calls to known houses of prostitution in other cities including Dallas, Houston, New York and San Francisco. Investigators in other cases have noted this pattern of extensive communications among Chinese involved in criminal activities. Such a pattern does suggest coordination of efforts, but not necessarily centralized control.

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\* Law enforcement authorities have reported Chinese brothels in San Francisco, Los Angeles, Seattle, Denver, Houston, Dallas, Atlanta, New York and Boston.

In a more complex case, Rwei Jung Yee and Hung Chang Wang pled guilty on August 25, 1986 to a four-count indictment alleging a conspiracy to import Taiwanese women to work as prostitutes in a nationwide network of brothels run by the Yee family. This organization operated bordellos in California, Colorado, New York and New Jersey and appears to have been financed by the United Bamboo Gang. Evidence indicated that Wang, who managed operations, was closely associated with Chen Chih Yi (AKA Yellow Bird), the United Bamboo leader who is currently in prison on a homicide conviction. Known Chinese crime figures were retained to manage the houses. For example, Steven Lai, a convicted heroin importer, managed the first house opened by the organization in New York. In July 1985, gang members executed Mary Lai, Steven's wife, in the brothel. The execution allegedly was ordered by Steven Lai and the brothel's owners because of a financial dispute. Each house made regular payoffs for protection and permission to operate in gang-controlled territory. Bordellos in New York were guarded by the Flying Dragons and in San Francisco by the Wah Ching. The protection fee charged by the Wah Ching was reported to be \$600 per week.

Most of the Asian prostitutes working in the U.S. are here illegally from Seoul, Hong Kong or Taipei. Chinese and Korean "arrangers" use a variety of methods for bringing women into the U.S. to work as prostitutes. Some enter the country after sham marriages to American servicemen returning to the U.S. Fees paid to servicemen for sham marriages range up to \$10,000. After clearing U.S. Customs and Immigration, the "wife" separates from her "husband" and joins her sponsor. Other methods depend upon forged or fraudulently obtained passports and visas. Non-immigrant visas are favored since they are relatively easy to obtain. Unfortunately, several INS officers and other minor officials are known to have accepted money to supply arrangers with the necessary documents.

Sometimes recruiters will offer women a package deal that includes air fare, passport and all travel documents required to enter the U.S. These packages usually cost between \$3,000 and \$5,000 and include the promise of a position with good pay at a nightclub or restaurant. Prostitution may

not be mentioned or is described as an optional and legal activity within the U.S. Another method is to bring women through the U.S. as TWOVs (transit-without-visas) enroute to Central or South America. This method provides two possibilities for entering the U.S. While changing planes in U.S. cities, women are encouraged to slip away and go to prearranged locations. Those who are unable to get away continue on to their destination and are eventually smuggled across the border into the U.S.

Many of the prostitutes sign contracts with their sponsors that specify debt repayment terms and the fee split for their services (usually about 50/50). In debt, unable to speak English, and without relevant job skills or social support systems, these women cannot effectively contest their new status as indentured prostitutes. "Markers" are prepared for some that list immigration status and all outstanding debts. These markers form the basis for agreements among organized crime figures to trade or sell prostitutes to other brothels in other cities.

Some alien smuggling is unrelated to prostitution. Federal investigators have uncovered an organization that smuggles illegal aliens from the PRC across the borders of Canada and Mexico into the United States. Each alien is charged approximately \$23,000 in smuggling fees. Intelligence sources also indicate that another organization is smuggling Triad members from Hong Kong to the United States.

#### MONEY LAUNDERING

"Gentlemen, you just bought yourself a Chinese laundry."  
- Vice-president for North America of  
Liu Chong Hing Bank speaking to  
undercover agents

Hong Kong is one of the most important banking centers in the world. In an average business day more than \$50 billion U.S. dollars are exchanged through the Hong Kong financial community, according to the CIA. Hong Kong

has no central bank, no currency exchange controls and no reporting requirements for cash deposits. Thus, in addition to its strategic location in the Far East and its long history of commerce, Hong Kong's laissez-faire banking policies attract legitimate and illegitimate businessmen.

Large amounts of money also move internationally in an underground banking system that operates on tradition and trust. Chinese sometimes carry and exchange encoded "CHITS" that substitute for monetary instruments. For example, a CHIT encoded in New York can be exchanged for an agreed-upon amount of cash, gold, heroin or other commodity in Hong Kong. Shops that specialize in gold and precious stones, money exchangers and import/export businesses form a network that moves cash and commodities with little or no documentation. This system originated hundreds of years ago as a means of avoiding robberies and repressive tax measures by the Ching dynasty. Today, the CHIT system offers an invisible means of moving hard currency internationally.

#### Trends in Currency Flow

In 1981, the San Francisco Federal Reserve Bank noticed an increase in the amount of cash received relative to what they disbursed to commercial banks. The following year this trend accelerated as the UK and the PRC opened negotiations on the future status of Hong Kong as a British Protectorate. Although the final UK/PRC agreement specifies that Hong Kong's capitalist system, including its present legal system, will remain intact for at least 50 years after the changeover in 1997, intelligence analysts believe that the exodus of capital from Hong Kong during the past five years may be explained, in part, by widespread unease among wealthy investors, who are reducing their long-term risks by relocating substantial portions of their assets outside of the colony. Since the PRC seems unlikely to be tolerant of future Triad activities, Triad leaders have an even greater incentive to diversify their investments. Although money from Hong Kong is being invested outside of the U.S., especially in Canada and Australia, much of the capital flight is going to California, known to the Cantonese as the Golden Mountain.

Money flowing out of Hong Kong falls into three primary categories: legitimate capital flight; proceeds from illegal Triad activities; and proceeds from narcotics trafficking in the Far East and Latin America. Hong Kong has become an important collection point for cash from SEA heroin. Also, a growing number of South American drug traffickers are using Hong Kong for their money laundering needs. A lot of this money is returning to the U.S. One indication that returning money has been laundered is the small denomination of bills. According to a Treasury Department study, approximately 35% of the cash repatriated from Hong Kong is in bills of \$50 or less.

The flow of money from Hong Kong to the U.S. has stabilized at a relatively high level during the last several years. According to the CIA, the divestment process should accelerate again around 1992 as preparations for the changeover intensify. A sudden change in the political climate within the PRC would produce a similar effect.

Reliable estimates of the amount of money coming into the U.S. from Hong Kong and Taipei are not possible. It is also impossible to describe the ratio of legitimate to illegitimate funds. However, data from financial transaction reports offer some insight into the magnitude of the problem. The Bank Secrecy Act requires that financial institutions keep records of their transactions with foreign individuals and financial institutions. The U.S. Customs Service recently completed an analysis of currency flow between the U.S. and Hong Kong based on two reports required by the Act: CMIRs (Currency Monetary Instrument Reports) and CTRs (Currency Transaction Reports). An examination of CMIR filings between January 1983 and August 1986 revealed a total of \$1.7 billion inbound (H.K. to U.S.) and only \$60 million outbound.\* This difference consists of laundered funds returning to the U.S. plus the effects of capital flight from Hong Kong.

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\* A variety of factors affect the validity of these figures, one of the most important being the known problem with reporting compliance. For example, in 1985 the Treasury Department fined Crocker Bank \$2.25 million for failing to report \$3.9 billion dollars in currency transactions, mostly from Hong Kong. In the same year the Bank of America was fined \$4.75 million for failing to report more than 17,000 large currency transactions. This was the stiffest fine ever imposed on a financial institution. Non-compliance in Boston and other major cities has been documented.

Based on CTR filings for the last four years, the top three cities receiving money from Hong Kong are San Francisco, Los Angeles and New York in that order. Two banks, Hang Seng and Crocker National Bank, showed more currency transactions during the study period than any other financial institutions. Hang Seng was the principal owner bank (of H.K. funds) and Crocker was the principal filing bank in the U.S. Between 1983 and 1985, Hang Seng had the greatest increase in CTR volume with a 1985 total of \$1.3 billion, the highest for any owner bank. During the same year Crocker's filings rose to \$1.4 billion and were attributed mostly to Hang Seng and five other Hong Kong banks.\*

There are about one hundred Chinese owned and operated banks in California that pose other problems.\*\* Although regulated by the state, many are foreign banks not incorporated in the U.S. Some of these banks use Chinese language records and accounting systems that leave them effectively unregulated. Chinese banks tend to be located in small clusters in urban areas with large Asian populations. In Monterey Park, for example, there are 28 banks within seven square miles; one half are Chinese owned. A few of these banks are known to have tellers who service one or two accounts exclusively. The Chief of Police and local banking officials estimate that up to \$1.5 million a day is being laundered through Monterey Park banks. Intelligence also indicates that Yakuza are using at least one of these banks for laundering over \$20 million a month. Cash from all banks eventually reaches the Federal Reserve system through direct deposits or through correspondent banks. Large cash surpluses appear in both of California's Federal Reserve banks. The following table displays cash surpluses and deficits by year for selected Federal Reserve banks.

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\* Hang Lung Bank, Overseas Trust Bank, Wing Hang Bank, LTD., Wing Lung Bank, and Hong Kong Industrial and Commercial Bank, LTD.

\*\* This figure includes commercial banks, credit unions and savings institutions.

FEDERAL RESERVE CASH  
SURPLUSES (+) AND DEFICITS (-)  
IN SELECTED CITIES  
(IN THOUSANDS OF DOLLARS)

<u>CITY</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>	<u>1987 Projection (7 MONTHS DATA)</u>
MIAMI	+4,676,000	+5,945,000	+5,865,000	+5,860,000
LOS ANGELES	-136,000	+165,000	+1,902,000	+4,045,000
SAN FRANCISCO	-167,000	+1,511,000	+279,000	+924,000
DALLAS	-375,000	-804,000	-768,000	-321,000
CHICAGO	-1,972,000	-3,127,000	-3,486,000	-2,766,000

Analysis

Some of the phenomenal surplus (\$4 billion) that has accrued in Los Angeles during the last two years can be attributed to legitimate Japanese investments in southern California. However, this surplus reflects actual cash and includes only the indirect effects of legitimate international investments that are normally accomplished through paper transactions such as letters of credit or wire transfers. In contrast, the Yakuza are bringing substantial but unknown amounts of cash into California, especially Los Angeles. Some of the cash surplus is the result of money laundering by the cocaine industry. Since the surplus in Miami has remained constant during the period of rapid increase in Los Angeles, and the banks in El Paso and San Antonio also show a surplus from Mexican drug traffickers, the additional contribution from laundering cocaine proceeds would not account for the bulk of this change. Information from the Treasury Department indicates that most of the surplus cash in California is coming from Hong Kong, Taipei, Singapore and Macau in that approximate order. This money is a mixture of legitimate capital flight, proceeds from Triad rackets and drug money from Latin America and the Far East.

Large sums from Hong Kong, Taipei and Singapore are being sent to the U.S. by wire transfer or as letters of credit. These bank-to-bank transfers do not trigger any reporting requirements -- regardless of the amount. However, the withdrawal or deposit of more than \$10,000 in cash or its equivalent does require the financial institution to prepare a CTR. One method of avoiding this is by making multiple deposits or withdrawals with each transaction under \$10,000, a process called "smurfing." New regulations have prohibited multiple same-day, same-bank transactions but do not address multiple-day, multiple-bank smurfing operations.

Some investors who are anxious to avoid official reports convert their cash overseas to precious metals, gems or other high-value commodities that are exempt from reporting requirements. Once in the U.S., the goods are sold and reconverted to cash. Despite the alternatives, some people continue to bring in large amounts of undeclared cash. On May 5, 1987 Ken Mizuno (suspected Yakuza) entered San Francisco with \$321,000 in undeclared U.S. currency. Intelligence indicates that this may have been only one of more than 30 such trips. Several years ago, Kwei Yuk Yu was arrested at the San Francisco airport with \$200,000 in U.S. currency and a check for \$600,000, drawn on the Liu Chong Hing Bank, and made out to Caesars Palace.\*

Most of the incoming money from the Far East is being invested in commercial property: office buildings, shopping centers, apartment houses, restaurants, etc. For dirty money, this represents the end of its movement, from the U.S. to Hong Kong, Nauru, Singapore or some other offshore haven and back to the U.S. Usually investments of this type are made discreetly to avoid public scrutiny. Exceptions to this include an unsuccessful attempt by a Luen Kung Lok Triad official to pay \$60 million in cash for the old Cathedral High School on seven acres in Los Angeles. In Westminster, a group of Hong Kong investors, believed to be 14K, offered the city \$27 million in cash for 38 acres of low-income property. They promised to raze the area and build a large complex of five and seven story apartment

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\* Large amounts of cash can be cumbersome to transport. For example, a suitcase containing one million dollars in twenty-dollar bills weighs more than 100 pounds.

houses. The city declined the offer. The wave of buying with front-end cash and no leverage has pushed up real estate prices in all large Chinese population centers. Monterey Park has seen office space rise from \$6 to \$58 per square foot in four years. In Toronto, real estate prices have doubled in three years because of Chinese investments.

Property acquisitions by persons from Hong Kong and Taiwan tend to be traditional real estate investments that are good sources of passive income. In contrast, American COC leaders seem to prefer businesses that require close management and operate on a cash basis. This pattern is especially well developed on the West Coast where Wah Ching leaders have acquired nightclubs, medical services, entertainment holdings, travel agencies, jewelry stores, restaurants, and even a chain of Union Oil gas stations.

One important advantage of a business that legally generates large amounts of cash is that its bank can exempt it from cash reporting requirements. Transactions of more than \$10,000 by exempt businesses do not result in CTR filings. A network of businesses like those controlled by the Wah Ching greatly simplifies the problem of laundering proceeds from gambling, heroin, extortion and other illegal activities. Legal and illegal funds are co-mingled in otherwise legal business transactions.

Gambling casinos also offer excellent opportunities for money laundering. The Wah Ching occupy key positions in several California card clubs. Similarly, East Coast COC leaders use casinos in Atlantic City and the Dominican Republic for money laundering. Until recently, Lau Wing Kui (founder of the Kung Lok Triad in North America) operated a gambling franchise in Santo Domingo's Ambassador Hotel. Officials of New Jersey's Division of Gaming Enforcement report heavy betting by Chinese players in several Atlantic City casinos, including Caesars Boardwalk Regency, Golden Nugget, Tropicana, Trump Plaza and Trump Castle.

CHAPTER VI

CONCLUSIONS

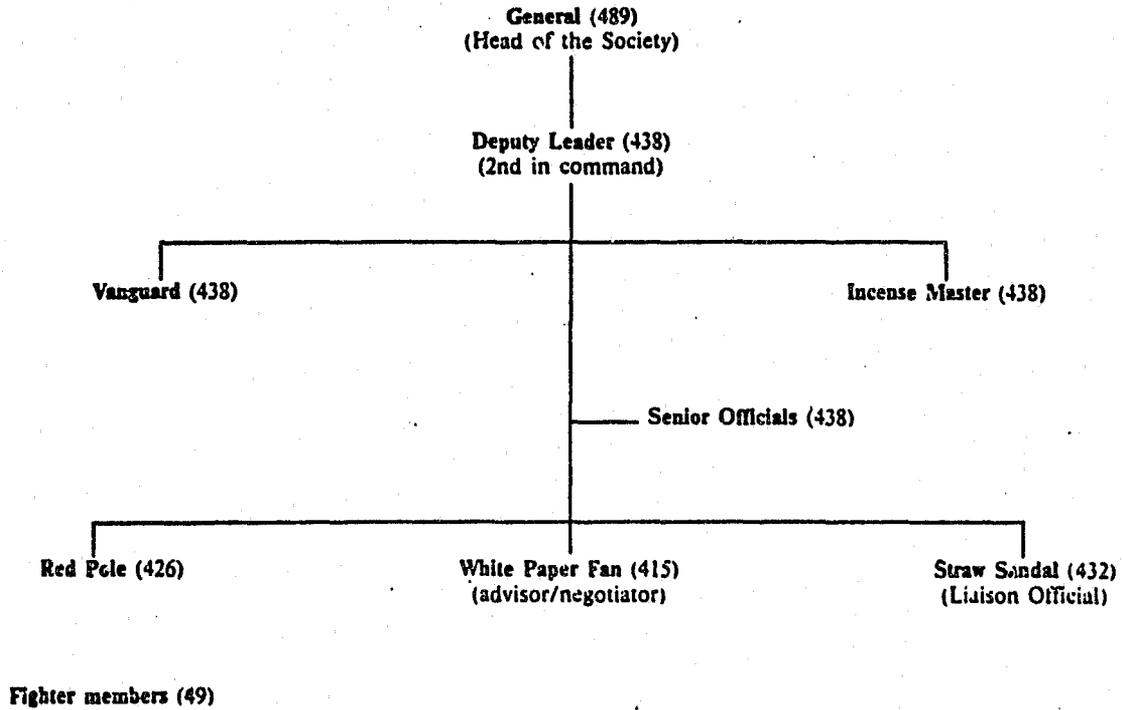
The major conclusions of this report are summarized below:

- Chinese criminal organizations currently pose the most serious threat among all of the Asian criminal groups.
- The capabilities and priorities of local law enforcement are not well-matched with the national and international activities of some COC groups.
- The most developed COC groups are diversifying into a broad range of legitimate businesses.
- Cooperative ventures between the LCN and COC appear to be increasing, especially in heroin trafficking.
- There are convincing similarities between COC today and the LCN many years ago.
- Chinese organized crime groups depend heavily on fraudulently obtained immigration documents to sustain their membership and avoid detection by law enforcement authorities.
- Fears about the Hong Kong changeover in 1997 are fueling an exodus of legitimate and illegitimate money into the U.S., especially California.
- Modern Triads are organized crime groups that serve no legitimate function and are banned under Hong Kong law.

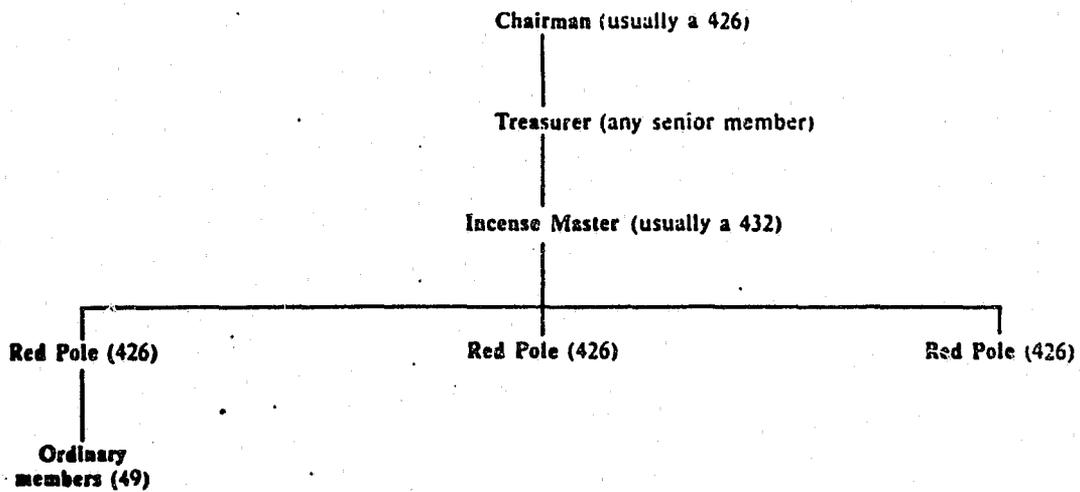
- Although most Hong Kong Triads have remained fragmented and ineffective, a few have reestablished themselves during the last 30 years as potent organized crime groups under a strong, traditional leadership structure.
- Most Triads probably will remain in Hong Kong; however, a few appear to be establishing alliances with American COC groups. [INS dissents: "We believe that COC groups in Hong Kong and North America are interconnected. The American groups, in fact, form the basis for criminal groups abroad to establish a foothold in this country, and ensure their survival should conditions in their own areas become hostile."]
- Although mostly legitimate, Tongs trace their origin to Chinese Triads and have a long history of sponsoring gambling and vice in America's Chinatowns. A few Tongs appear to be dominated by COC figures.
- Established Tong connections remain essential to COC leaders because of the Tongs' strong role in the politics and business of the Chinese community.
- The flood of Asian immigrants that began in the late 1960s created the conditions that fostered the rise of large and powerful street gangs.
- The most sophisticated and dangerous COC groups today have evolved from street gangs during the past 10 years and are independent of Triads or Tongs.
- The vast majority of the 1.2 million Chinese in the U.S. are law-abiding persons who are among the victims of COC.

Appendix A

**Traditional Structure of a Triad Society**  
(showing titles and codes ranks)



**Current Structure of a Triad Society**



APPENDIX B

CHINESE NAME GLOSSARY

Persons found in the text of the report are listed below by primary business location and organizational affiliation.

<u>Name</u>	<u>Location</u>	<u>Primary Affiliation</u>
	Boston	
John Chan		Ping On
Joe Bow Fong		Ping On
Paul Kwok		Luen Kung Lok
Michael Kwong		Ping On
Harry Muk		Chinese Freemasons (Hung Mun)
Ah Sing		Ping On (Vietnamese)
Stephen Tse		Ping On
	California	
An Lo Chang		United Bamboo
Alfred Chu		Wo Hop To
Michael Jai		Sun Yee On
Allen Jew		Wah Ching
Vincent Jew		Wah Ching
Wing Law (deceased)		Wah Ching
Peter Man		Wah Ching
William Tse		Luen Kung Lok
Peter Tsui		14 K
Hung Chang Wang		United Bamboo
Danny Wong		Wah Ching
Sou Hong Wong		Wo Hop To
Tony Yan		Wah Ching
David Yang		United Bamboo
Johnny Yee		Wah Ching
Rwei Jung Yee		United Bamboo
Tong Young		Wah Ching
	Hong Kong (and Macau)	
Stanley Ho		Unk
Yip Hon		Hung Mun (Leun group)
Hung Wah Yin		Sun Yee On

<u>Name</u>	<u>Location</u>	<u>Primary Affiliation</u>
	New York	
Eddie Chan (in Paris)		On Leong
Michael Chan (deceased)		Hip Sing
Peter Chan		Tung On
William Chan		Tung On
Chan Wing Wah		On Leong
Chan Wing Yuen		On Leong
Ray Cheng		On Leong
Peter Chin		Ghost Shadows
Li Chi Cuong		Flying Dragons (Vietnamese)
Johnny Eng		Flying Dragons
Fu Jung		Fay Chow Association
Kwok Foo Lai		Tsung Tsin Association
James Lee		Ghost Shadows
Herbert Liu		Chinese Freemasons (Hung Mun)
Gai Lo		Ghost Shadows
Paul Ma		On Leong
Benny Ong		Hip Sing
Michael Pak		Unk
Chat Suk		Hip Sing
Hung Tang		Unk
Peng Han Ting		On Leong
Mik Kui Tong		Ghost Shadows
Chi Man Wong (deceased)		Sun Yee On
Clifford Wong		Tung On
Joe Wong (deceased)		Sun Yee On
Paul Wong		Fuk Ching
Steven Wong		Tung On
Ringo Yu		Luen Kung Lok
	Toronto	
Charlie Kwan		Luen Kung Lok
Lau Wing Kui (in Hong Kong)		Luen Kung Lok
Danny Mo		Luen Kung Lok
Tran Asau		Vietnamese

# Chinese Names\*

by the ICPO-Interpol  
General Secretariat

## THE CHINESE LANGUAGE

The police forces of many countries find it difficult to solve the problems involved in identifying people with Chinese names.

The problems stem both from the Chinese language and from the way in which the Chinese use their names.

Most of the languages used throughout the world are based on alphabets, the letters of which are used in various orders and combinations to form words; those words can then easily be filed in alphabetical order. Chinese, on the other hand, is different; it has tens of thousands of monosyllabic words and written Chinese is not based on an alphabet but on ideograms, or "characters", each one representing a word. The famous Kiangsi dictionary, published in 1644, records 44,000 characters, and ordinary, everyday communication requires a knowledge of about 3,000 characters.

Although many different Chinese dialects are spoken, the written language is common to them all. This means that Chinese who speak different dialects can communicate with each other in writing. But it also means that the same character can be pronounced in several different ways in different dialects. Similarly, a Chinese name can be pronounced completely differently, depending on the dialect used.

The only completely accurate way of writing a Chinese name is to use the actual Chinese characters which compose the name. Obviously, in this form, the name can only be read by people who know the language. Nowadays, therefore, many Chinese use the Roman alphabet to write their names, but this does not solve all the problems.

## DIFFICULTIES

There are several reasons why the romanized versions of Chinese names can be a very unreliable means of identifying people.

When the Roman alphabet is used to write a Chinese name, the "sound" of the written character is transcribed. However, as Chinese characters are pronounced entirely differently by persons using different dialects, the same name, written with the same three Chinese characters, would be romanized as YAU MAN LO by a Cantonese-speaker, as CHIU WEN LO by someone speaking Mandarin and as KHOO BOON LOH by someone speaking the dialect of Fukien. Again, a character which is romanized as NG because that is how it is pronounced in Cantonese, will be romanized as WU by anyone speaking Mandarin.

Also, several completely different systems of romanization are used. The standard system used in Hong Kong is based on Cantonese pronunciation, while the system used in China is based on Mandarin. It is therefore very important to know what system was used to romanize a name.

Then again, unlike many languages which use the Roman alphabet, spoken Chinese is a tone language: many characters sound the same except for the fact that they are pronounced with different tones. To take only one example, seventy-seven different characters are romanized in Cantonese as CHI and the distinctions between the words will be made by the tones used.

Finally, a translator's language may influence the way in which words are romanized. The same three characters, romanized by the same Cantonese system, will be written as WONG MUK NAM by an English-

\* This article is based on the *Report on Chinese Names and methods of transcribing them on international police documents* which was published by the General Secretariat in 1964, and on the updated version of that document prepared by Mr. Sydney Chau Foo Cheong in 1985. At that time, Mr. Chau was working at the General Secretariat; he is now head of the Hong Kong NCB.

speaker and as WANG MOUK NAIN by a French translator.

## CHARACTERISTICS OF CHINESE NAMES

### The family name or surname

Every Chinese has a hereditary family name: every male or female child of a Chinese father automatically bears his or her father's family name for life.

Custom and tradition have limited the number of Chinese family names available to 572, all of which are to be found in a special list paradoxically entitled "List of the Hundred Family Names". Among the most common are (romanized using the Cantonese system): CHAN, LI, CHEUNG, WONG, HO, AU, CHAU, WU, MA and MAK. It has been estimated that over one hundred million people bear the family name which is romanized as CH'EN in Mandarin and as CHAN in Cantonese.

Most family names consist of only one character, but a few of them consist of two, e.g. AU YEUNG, SZE TO.

### Given names

In addition to a family name, every Chinese has a given name which always comes after the family name. The given name may consist of one or two characters, e.g. CHAN Fat, SZE-TO Kwai Sang, LI Lung Kuang.

Friends and relations never call children by the two or three words that form their full names. Only the last name is used, preceded by the syllable "Ah". For example, in a family where the father's full name is LEUNG Kai Hin, a son named LEUNG King Hung will be known as Ah Hung and a daughter named LEUNG Yut Wa will be known as Ah Wa.

An interesting feature of given names is that they usually have a meaning in ordinary speech. LI Lung Kuang, for instance, means LI Dragon Light.

### Married women

Married women keep their full names, adding their husband's name before the others. For example, if a Miss LEUNG Yut Wa marries a Mr. CHAN, she becomes Mrs. CHAN LEUNG Yut Wa.

### Generation names

In traditional families, the first character of a two-character given name is a "generation character", borne by all the children of the same sex who have the same father. If LEUNG Kai Hin has two sons and two daughters, the boys could be named LEUNG King Hung and LEUNG King Tsun, while the girls could be named LEUNG Yut Wa and LEUNG Yut San. In the next generation, the sons of LEUNG King

Hung could be named LEUNG Man Wai, LEUNG Man Keung, etc.

### Other given names

Although this is becoming less and less common, some Chinese still receive or adopt other given names at different stages in their lives. In official Hong Kong terminology, these names are known as "aliases" but they may, in fact, be the "small" or "milk" name given to a child at birth by his parents (e.g. Siu Meng, Yu Meng) or the "book" name given to a child starting school (e.g. Shu Meng).

### "Christian" names

Many Chinese adopt a Christian name as an additional given name. The structure of the name then becomes David LEUNG King Hung or Peter AU-YEUNG Coi, etc.

Furthermore, a Chinese living in a Western community may decide not to use his Chinese given names or may adopt a Christian name which is phonetically similar to his Chinese given name (e.g. AU-YEUNG Pei Tak may call himself Peter AU-YEUNG).

## THE CHINESE COMMERCIAL CODE: A VALUABLE INSTRUMENT FOR POLICE FORCES

As we have already stated, written Chinese is not based on an alphabet, and Chinese characters cannot be transmitted by telex or telegram. To overcome this communications problem, an internationally recognized code — the "Chinese Commercial Code" or C.C.C. — is used.

The Code contains about 10,500 Chinese characters, each of which is represented by a number comprising not more than four figures. All Chinese family names and the words used as given names are to be found in the Code. Furthermore, the romanization (into English) of the Mandarin and Cantonese pronunciations of each character is also given. To give an example, for a four-character name the Chinese Commercial Code will print the romanized Mandarin version (e.g. SSU-T'U Chien Ch'uan), the romanized Cantonese version (SZE-TO Kin Chuen), the four Chinese characters making up the name and the code number of each (0674, 1770, 0256, 0356).

Judicious use of the C.C.C. eliminates almost all the problems and difficulties described above and makes it possible to send telegrams and telex messages in Chinese: the text will consist of groups of figures. The C.C.C. also provides a reliable method of filing Chinese names numerically, thus making it possible to check the identities of suspects bearing Chinese names.

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