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THE NEW INTERNATIONAL CRIMINAL AND  
ASIAN ORGANIZED CRIME

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PREPARED BY THE

PERMANENT SUBCOMMITTEE ON  
INVESTIGATIONS

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COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE



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# THE NEW INTERNATIONAL CRIMINAL AND ASIAN ORGANIZED CRIME

## INTRODUCTION

Over the past decade, there has been a substantial increase in Asian organized crime activity in the United States. Asian organized crime groups have extended their reach to a wide array of criminal activity, much of it violent. Ethnic Chinese criminal groups have come to dominate the heroin importation trade, which appears to be expanding. Highly mobile Vietnamese street gangs have turned to extremely violent home invasion robberies. Japanese mobsters have reportedly been laundering money in the United States and making real estate purchases. In fact, while the Department of Justice now ranks Asian organized crime as its No. 2 priority nationwide just after La Cosa Nostra, there have been relatively few successful prosecutions.

In response to this growing problem, and in light of the historic interest in organized crime by the Permanent Subcommittee on Investigations (PSI),<sup>1</sup> Senator William V. Roth Jr., Ranking Minority Member, with the concurrence of Chairman Sam Nunn, initiated an investigation into Asian organized crime groups in June, 1991.

The Subcommittee had three goals in this investigation: First, to examine how these organizations are structured and how they operate. Second, to identify deficiencies and opportunities for improvement, in both domestic and international law enforcement responses to Asian organized crime. And, finally, by publicly exposing these organizations and identifying their principal members, the Subcommittee attempted to neutralize their most important weapons: Anonymity and invisibility.

Between October, 1991 and August, 1992, the Subcommittee held 5 days of hearings, and heard testimony from 40 witnesses. The witnesses included representatives from Federal, State and local law enforcement agencies, the intelligence community, and Asian-American victims of organized crime activities as well as current and former members of Asian organized crime groups.

The investigation led to an inescapable conclusion: Today, Asian criminal groups represent a problem of dramatic proportions, both in the United States and internationally. Indeed, Asian criminal

<sup>1</sup>Permanent Subcommittee on Investigations hearings on: *The Structure of International Drug Trafficking Organizations*, September 12-13, 1989, *Organized Crime: 25 Years After Valachi*, April 11, 15, 21, 22, 29, 1988, *Emerging Criminal Groups*, September 17, 24, 1986, *Profile of Organized Crime: Great Lakes Region*, October 3, 1984, *Hotel Employees and Restaurant Employees International Union*, August 27, 1984, *Profile of Organized Crime: Mid-Atlantic Region*, July 17, 1984, *Waterfront Corruption*, March 27, 1984, *Refusal of Anthony J. Accardo to Testify*, February 9, 1984, *Hotel Employees and Restaurant Employees International Union*, Parts 1-5, June 1982 through June 1984, *Profile of Organized Crime: Great Lakes Region*, January 25, 26, 31 and February 1, 1984, *Waterfront Corruption*, February 17, 19, 25, 27, 1981, *Organized Crime and Use of Violence*, April 28-30, May 1, 2 and 5, 1980, and *Organized Crime and Illicit Traffic in Narcotics (Valachi Hearings)*, Parts 1-5, September 1963 through August 1964.

groups are a major new threat confronting law enforcement around the globe. Such groups have become involved in a wide range of organized criminal activities, including narcotics trafficking, money laundering, bribery, business extortion, alien smuggling, home invasion robberies, computer chip theft, and credit card counterfeiting. While warnings have previously been heard about the possible migration of secret criminal triad organizations to the United States from their base in Hong Kong prior to the assumption of control by the People's Republic of China in 1997, the Subcommittee's investigation revealed that structured triad organizations already exist in the United States and in other countries around the world.

Asian crime groups' high mobility, instantaneous global communications' capability, and international connections suggest that they represent a challenge of global dimensions to law enforcement which cannot be successfully met by any single country or by any single law enforcement agency. Indeed Asian crime groups represent a new breed of international criminal. As Senator Roth stated during the June 18, 1992 PSI hearing: "Using easily obtained phony passports and taking advantage of newly relaxed international travel restrictions as well as the greatly increased volume of international trade, the new international criminals treat national borders as nothing more than minor inconveniences to their criminal enterprises."

Senator Nunn, the Chairman of PSI, noted the need for international cooperation in confronting Asian organized crime when he stated, "Not enough progress has been made in establishing formal cooperative relationships among those law enforcement bodies willing to address this problem. While the rhetoric often is positive, in reality, too often information is not shared, documents are not accessible, and efforts to locate criminals do not receive international assistance. Their international capabilities makes these Asian criminals a world problem and one that we should be eager to address together."

The investigation uncovered little evidence to suggest that either U.S. or foreign law enforcement entities are currently equipped to meet the challenge of this new breed of international criminal. On the contrary, it is clear that the current law enforcement responses are inadequate. Problems confronting U.S. law enforcement agencies include lack of foreign language expertise, inadequate knowledge of Asian cultures and customs, and limited success in gathering or sharing criminal intelligence.

At the international level, an entirely new approach is needed. As Senator Roth stated at the June 18, 1992 hearing; "Our current situation is analogous to the 1920's when the United States experienced a rash of interstate bank robberies. Bank robbers, like the infamous Bonnie and Clyde, began using automobiles to rob banks and then quickly crossed State lines, thereby evading State and local law enforcement jurisdiction. While we eventually remedied this problem by creating a Federal bank robbery statute, the solutions to the challenge posed by the new international criminal are not so obvious."

Law enforcement efforts too often stop at international borders. While informal contacts among law enforcement agencies have

been expanding and ought to be strongly encouraged, the current formal methods for exchange of information and evidence, as well as for extradition, are inadequate to cope with international organized crime as we approach the 21st Century.

The Asian American population in the United States has grown more rapidly in the past decade than any other ethnic group. Thus, it may be expected that Asian crime would also grow. But the vast majority of Asian Americans are hard working, law abiding citizens. Indeed, there may be no other group of immigrants to America who have been harder working or who have fewer welfare recipients than Asian Americans. Only a small fraction of Asian Americans are involved in organized crime. Moreover, it must be kept in mind that most victims of Asian organized crime groups are themselves Asian. Distrust of law enforcement authorities, language barriers and perceived law enforcement disinterest have all contributed to the victimization of Asian Americans by Asian organized crime.

There is, unfortunately, an often unspoken, but nevertheless widely held view that because most Asian criminal activities are directed against Asians, other Americans need not be concerned. The Subcommittee emphatically rejects that point of view, first, because all residents of the United States are entitled to protection, whatever their background, and second, because history demonstrates that all organized criminal groups in the United States, whatever their ethnic origin, eventually extend their corrupting tentacles to the larger community as they seek more power, influence, and profits.

#### GENERAL STRUCTURE AND NATURE OF SPECIFIC GROUPS

The Subcommittee's investigation concentrated primarily on ethnic Chinese, Vietnamese, and Japanese crime groups because they represent the primary Asian groups involved in criminal activity in the United States today. Each of these groups is organized and operates differently.

#### ETHNIC CHINESE ORGANIZED CRIME

##### HISTORICAL OVERVIEW

Ethnic Chinese organized crime groups in the United States are of three kinds: Triads, criminally-influenced tongs, and street gangs. Triads are secretive criminal fraternities that are primarily headquartered in Hong Kong and Taiwan. Criminally-influenced tongs are business associations located in many U.S. cities which engage in lawful as well as unlawful activities. Street gangs often operate under the influence or sponsorship of tongs, but may also operate independently. Both tongs and street gangs are often influenced by what can be referred to as "triad subculture."

##### TRIADS

Modern triads trace their history to secret political societies formed in China during the 17th Century to overthrow the Ching Dynasty and to restore the Ming Dynasty to power. The term "triad," later coined by British authorities in Hong Kong, is based on the triangular symbol found on flags and banners of the early

secret societies. The symbol represents the three essential elements of heaven, earth, and man.

Because the early triads were attempting to topple the ruling elements of the day, and had, in fact, been persecuted in the past, they developed secret forms of identification and communication. Triads today remain obsessively secretive and closed criminal fraternities. The triads also developed highly ritualized initiation ceremonies meant to instill a strong sense of secrecy, and more importantly, loyalty to other triad members. Thirty-six oaths, most dealing with loyalty to the triad, traditionally are part of these initiations. Each oath ends with a promise of death if the oath is broken.

The existence of triads is most extensively documented in Hong Kong, where the number of triad members is estimated to be in the tens of thousands, and to a lesser extent in Taiwan. While there is clear evidence that triad members have engaged in criminal activities in the United States, the extent of triad structure and operations in the United States is disputed among law enforcement. Perhaps the best evidence of triad structure being transplanted to the United States has been the recent ascendancy of the Hong Kong-based Wo Hop To Triad as the dominant Asian organized crime group in San Francisco, discussed in greater detail later in this report.

Triad societies all display some degree of hierarchy, and a typical triad has members organized by rank. Each rank carries a title and a numerical value, based on triad ritual. The leader of a triad is known as the "Dragon Head," and carries the rank "489." Other "office bearer" positions also exist, including "438," which is the second highest rank in a triad, and may be held by several different officials. If a Deputy Leader is appointed, he will hold the "438" rank, as well as an "Incense Master" or "Vanguard," who are in charge of triad rituals and initiations. The "426" or "Red Pole" is a fighter official responsible for enforcement. The "432" or "Straw Sandal" handles liaison and communication for the triad. The "415" or "White Paper Fan," is in charge of planning and administration. All other triad members are known as ordinary members or soldiers, and hold the rank of "49." The relationships among individual triad members are based on ties between "Dai-Lo's" (big brothers) and "Sai-Lo's" (little brothers), where the Sai-Lo's give loyalty, support and sometimes money to their Dai-Lo, in exchange for protection and advice.

Although hierarchical in nature, triads tend not to be strictly controlled from the top, in contrast to more familiar crime groups such as La Cosa Nostra. Instead, triad members frequently branch out into their own criminal enterprises. While the triad leadership does not always initiate and direct the activities of all the triad members, triads clearly serve as international networking associations that facilitate such activity. Moreover, monetary profits from criminal activity of triad members often flow to the top in indirect ways, such as through gifts. This practice prompted one knowledgeable official to describe triads as "criminal Amways."

As one member of the Hong Kong-based 14K triad testified:<sup>2</sup>

<sup>2</sup>Testimony of confidential witness "Mr. Ma," before PSI, June 18, 1992.



"I was not required to pay any percentage of profits to the 14K leadership. Triads do not work that way. Triad members do favors for each other, provide introductions and assistance to each other, engage in criminal schemes with one another, but triads generally do not have the kind of strictly disciplined organizational structure that other criminal groups like the Italian mafia have. For example, a triad member would not necessarily be required to get permission from the dragonhead of his particular triad in order to engage in a particular criminal undertaking—even if the particular deal involved an outsider or even a member of another triad. On the other hand, on the occasion of traditional Chinese holidays such as Chinese New Year, triad members traditionally give gifts to their 'big brother' or 'uncles' who often are office bearers in the triads."

Further testimony regarding relationships among Chinese crime groups came from Johnny Kon, a convicted heroin smuggler and triad member. He noted the importance of the Chinese concept of "Guan Shi" in facilitating criminal relationships:

"Members of the Big Circle get power from 'Guan Shi,' which is a relationship among people. Through such relationships, Big Circle members can call on triad members or other Big Circle members for help."

Triad membership is thus a valuable asset to the new international criminal. Triad membership facilitates criminal activities in a manner similar to the way membership in business associations facilitates the activities of a legitimate businessman. Thus, even though triads, as organizations, may not control a wide range of criminal activity, it is important for law enforcement officials to understand, investigate, and develop intelligence about triad organizations, because individual triad members are invariably involved in a wide range of criminal activity.

Although the criminal activities of triad members can be thought of as constituting both domestic and international activities, even domestic activities such as illegal gambling, extortion, and prostitution often have an international element. For example, prostitutes are imported or smuggled, sometimes against their will, over national borders, while proceeds from illegal domestic activities such as gambling are often laundered internationally. International activities include narcotics trafficking, money laundering, counterfeit currency and credit cards, and alien smuggling.

"Triad subculture" often permeates Chinese criminal groups in the United States. In other words, some Chinese criminal groups in the United States, although not triads themselves, are influenced by triad culture and traditions, characterized primarily by ritualism, obsessive secrecy and loyalty.<sup>3</sup>

The triads of Mainland China migrated to Hong Kong and Taiwan when the Communists took over Mainland China in 1947. Even though it is now a criminal offense to even be a member of

<sup>3</sup> Ko-lin Chin, *Chinese Subculture and Criminality: Non-Traditional Crime Groups in America* (Greenwood Press, 1990).

a triad in Hong Kong, Hong Kong is the undisputed capital of modern day triads.

Over time, triad members infiltrated much of Hong Kong society, including government agencies. At the Subcommittee's June 18, 1992 hearing, a convicted heroin smuggler testified that he joined the Royal Hong Kong Police (RHKP) 4 years after being initiated into the 14K Triad, around 1962.<sup>4</sup> He testified that a significant number of RHKP officers at that time were triad members and that the police were paid to protect gambling dens, opium dens, and houses of prostitution.

In 1974, the Hong Kong government established the Independent Commission Against Corruption (ICAC) to attack corruption in the police department. Although no one claims that the ICAC has completely eradicated corruption from Hong Kong law enforcement, it is credited with making substantial progress. The ICAC still functions today, investigating corruption in law enforcement and other areas of government.

The RHKP estimate that there are currently about 50 triad societies in Hong Kong, with about 15 of those being very active. While it is very difficult to determine the exact number of triad members in Hong Kong, most authorities agree that there are at least 80,000. Some triads are thought to have as little as 100 members while Hong Kong's largest triad, the Sun Yee On, is believed to have at least 25,000 members.

After the Sun Yee On, the next largest triads are the Wo Group, including the Wo Hop To and at least nine other subgroups, which have over 20,000 Hong Kong members. The 14K Triad, including over 30 subgroups, is also believed to have over 20,000 Hong Kong members. The fourth largest group is the Luen Group with approximately 8,000 Hong Kong members. The Tung Group is thought to have approximately 3,000 Hong Kong members. All of these groups also have substantial overseas membership. Other triads exist with smaller membership.

[Sun Yee On Triad and Wo Hop To Triad charts follow.]

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<sup>4</sup>Testimony of confidential witness, "Mr. Ma," *prev. cit.*

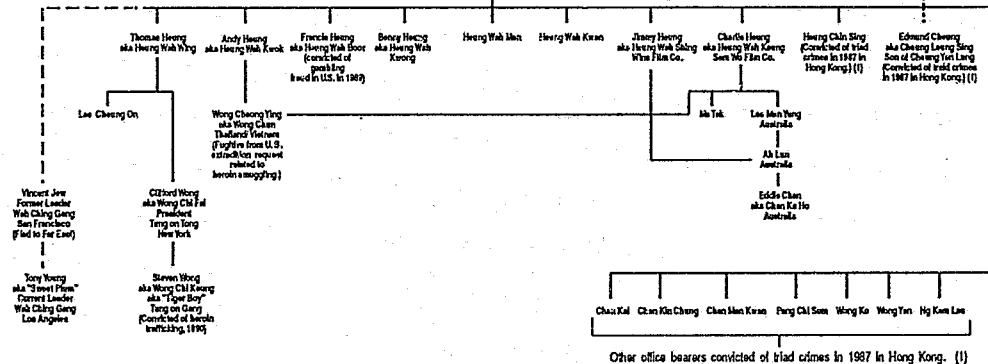
# SUN YEE ON TRIAD

Heung Chin  
Founder  
(Deceased)

Heung Wah Yim  
Dragon Head  
(Convicted of triad crimes  
in 1987 in Hong Kong) (1)

Kong Kwai Wing  
Incense Master  
(convicted of triad crimes  
in 1987 in Hong Kong) (1)

Cheung Yun Lung  
Legislative Councillor  
Father of Cheung Laiing Sing



Prepared by: United States Senate  
Permanent Subcommittee  
on Investigations

Note: (1) Reversed on appeal.

# WO HOP TO TRIAD

Chan Ting Hung  
aka Chan Tai  
aka "Crazy Tai"  
aka Sor Chai Tai  
aka Tom Hung Chan  
Dragon Head

Hui Lui

Peter Cheng  
aka Cheng Bing  
Keung  
aka Cao Fu  
aka "Uncle"  
San Francisco

No Tai Wah  
Australia

Kung Chung Hol  
aka "Mao Tse"

Ng Lai On

Lau Wing Hop

Chung Chi Tai

Chan Kwok Ming

Chan Kwok Keung

Lo Wai Fu

Prepared by: United States Senate  
Permanent Subcommittee  
on Investigations.

## SUN YEE ON TRIAD

The Sun Yee On or San Yee On, sometimes referred to as the Yee On Commercial and Industrial Guild, is the largest and most powerful of the Hong Kong-based triads. Conservative estimates of Sun Yee On membership count over 25,000 members, but many estimates are significantly higher.

The Sun Yee On was founded in the early 1950's in Hong Kong by the late Heung Chin. Many of the early leaders of the Sun Yee On are thought to have been members of the Mainland-based Red Pang society.<sup>5</sup> During the 1950's the Sun Yee On was the main Hong Kong society of former residents of China's Chiu Chau region. For most of its history, Sun Yee On has been active throughout Hong Kong, the New Territories, and Kowloon.

The Sun Yee On has a presence in the United States, Canada, Australia, Thailand, Vietnam, and Macao in addition to Hong Kong. The group has been linked to a wide variety of criminal activities, including heroin trafficking and control of the entertainment industry in Hong Kong.

The Sun Yee On continues to be controlled by members of the Heung family, specifically through the many sons of Sun Yee On founder Heung Chin. At 58 years old, Heung Wah Yim is the eldest son of Hueng Chin and is currently the triad's Dragon Head.<sup>6</sup>

Thomas Heung, also known as Heung Wah Wing, is a Sun Yee On office bearer and one of the brothers of Dragon Head Heung Wah Yim. Thomas Heung holds himself out as a transportation merchant in Hong Kong, but is reputed to be the Sun Yee On's financier and one of the triad's top leaders. In addition to his role as financier, Thomas Heung is believed to act as a liaison between high ranking police officers, governmental officials, and prominent businessmen.

Thomas Heung exercises influence in the United States through associates in the Tung On Tong in New York's Chinatown. Thomas Heung is the "Dai-Lo" or Big Brother of Clifford Wong, President of the Tung On Tong, as well as Wong's younger brother Steven Wong, who is known as "Tiger Boy," and who is a former leader of the Tung On Boys, a New York-based street gang affiliated with the Tung On Tong. Steven Wong is currently incarcerated for heroin trafficking. Confidential witness "Mr. Ma" testified that, "Clifford Wong represents the Sun Yee On's interests in New York."

Sun Yee On associates have been involved in the Asian entertainment industry in the United States. Vincent Jew, the former leader of the Wah Ching Gang in San Francisco is an associate of the Sun Yee On Triad. Vincent Jew fled San Francisco to the Far East in response to law enforcement pressure in 1984, and is now active in the Sun Yee On Triad in Hong Kong. Vincent Jew, along with Tony Young, who has been identified as the leader of the Wah Ching Gang in the Los Angeles area for several years, have used

<sup>5</sup> W.P. Morgan, *Triad Societies in Hong Kong*, (Government Press, Hong Kong 1960), p. 305.

<sup>6</sup> Heung Wah Yim was convicted in 1987 in Hong Kong of various crimes related to management of a triad society. Participation in triad activities or even triad membership is a criminal violation in Hong Kong. Ten other leaders of the Sun Yee On were also convicted, but all convictions were reversed on appeal. As a result, these individuals continue to promote the Sun Yee On's criminal ventures.

their ties to the Sun Yee On Triad to control Asian entertainment brought to the West Coast of the United States from Hong Kong.

#### WO HOP TO TRIAD (WO GROUP)

The second largest group in Hong Kong is the Wo Group. This group includes at least ten triads, the largest of which is the Wo Shing Wo. No significant Wo Shing Wo presence in the United States has yet been identified. However, the Subcommittee heard considerable evidence that the Wo Hop To Triad, a part of the Wo Group, has taken control of Asian criminal activity in the San Francisco Bay Area. The Wo Hop To has also been tied to criminal activity in Los Angeles, Honolulu, Portland, Las Vegas, Atlantic City, Boston, and New York, in addition to Australia and Canada.

The leader of the Wo Hop To Triad in Hong Kong is Chan Tai, also known as "Crazy Tai."<sup>7</sup> Chan Tai operates Mah Jong parlors, restaurants, message parlors, and illegal gambling operations in Hong Kong.<sup>8</sup> The other leaders of the Wo Hop To in Hong Kong are active in promoting heroin trafficking, illegal gambling, loansharking, extortion, and alien smuggling.

The Subcommittee has identified various Wo Hop To leaders throughout the world that appear to, in varying degrees, answer to Chan Tai. These leaders include Peter Chong in the United States and No Tai Wah in Australia. The Wo Hop To's United States connections are further detailed below.

#### THE 14K TRIAD

The 14K Triad comprises over 30 subgroups which include an estimated membership of over 20,000. This triad is loose knit in structure, and many of its subgroups do not have firmly established leadership.

In Hong Kong, 14K members are involved in a wide range of criminal enterprises including illegal gambling, extortion, prostitution, credit card fraud, and narcotics trafficking.

#### OTHER TRIAD GROUPS

The Luen Group comprises over 8,000 members in at least four subgroups. The subgroup with the most influence in North America is the Kung Lok Triad, which has a major base of operations in Toronto. Many Kung Lok members in Toronto have associates in the United States. The Kung Lok controls entertainers from Hong Kong who come to North America to perform, utilizing connections with individuals in New York, Atlantic City, San Francisco, and Los Angeles, to control such tours.

The Big Circle Gang, which is sometimes referred to as a "Mainland-based triad" is a relatively new group. This group initially consisted primarily of former Red Army Guards who left China for Hong Kong. Big Circle Gang members are particularly violent, specializing in armed robberies of jewelry stores in Hong Kong as well as in heroin trafficking. The Big Circle Gang is not technically a

<sup>7</sup> Charts prepared by PSI, "Wo Hop To Triad," introduced at hearing on November 5, 1991 and "Wo Hop To Triad" introduced at hearing on June 18, 1992; see also Affidavit of Lai Ka-Luk, May 3, 1992, Exhibit 18, Record of Hearing of PSI on *Asian Organized Crime*, June 18 and August 4, 1992.

<sup>8</sup> Affidavit of Lai Ka-Luk, May 3, 1992, Exhibit 18, Record of Hearing of PSI on *Asian Organized Crime*, June 18 and August 4, 1992.

triad, but most Big Circle Gang members are also members of various triad societies. Johnny Kon, a former Big Circle associate and convicted heroin smuggler, testified that he helped organize a group of Big Circle Gang members into a tightly organized and disciplined group known as the Flaming Eagles which expanded from jewelry store robberies in Hong Kong to a world wide heroin distribution network. All of Kon's Big Circle associates were also members of other triads.<sup>9</sup>

With the impending Communist takeover of Hong Kong in 1997, the triads have been expanding their network worldwide and have generally gained a foothold wherever large Chinese immigrant communities exist, including Australia, The United Kingdom, The Netherlands, and Canada as well as the United States.

#### TAIWAN-BASED TRIADS

The main law enforcement body in Taiwan, the National Police Administration (NPA), recognizes two major Taiwan-based triads. The best known and largest of the two is the United Bamboo Gang, also known as the Chu Lien Pang. The second group is the Four Seas Gang, also known as Sei Hoi.

The United Bamboo Gang has an estimated membership of over 20,000. This group was formed by young Taiwanese who banded together with triad members who had fled to Taiwan in the mid-1950's. The United Bamboo now operates internationally in the United States, Canada, and throughout the Far East. The United Bamboo has been active in the United States for over a decade, and is best known for a 1985 case in which members of the United Bamboo were recruited by the Taiwanese Defense Intelligence Bureau to murder San Francisco journalist Henry Liu. The group is particularly active in Los Angeles, Houston, New York, and Vancouver, British Columbia, and has been linked to murder, kidnapping, alien smuggling, illegal gambling, loansharking, and a variety of other criminal activities in the United States.

The Four Seas Gang has an estimated membership of over 5,000. The Four Seas Gang, while a traditional rival of the United Bamboo Gang, has recently worked with the United Bamboo in the United States in some ventures. The Four Seas Gang has ties in Los Angeles and New York.

#### CRIMINALLY-INFLUENCED TONGS

The second type of Chinese criminal group in the United States is the criminally-influenced tong. Tongs hold themselves out as, and in some cases are, legitimate business associations. Many of the tongs in the United States are national organizations with chapters in cities that have large Chinese communities. These tongs engage in a variety of legitimate activities and take an active and public role in their communities. On the other hand, tongs also have secret initiation ceremonies, and they are, in some cases, fronts for criminal activities.

The economic mainstay of most criminally-influenced tongs is illegal gambling. Not all members of such tongs are involved with illegal activity, but officials and members of such tongs have been

<sup>9</sup> Testimony of Johnny Kon before PSI, August 4, 1992.

known to direct criminal enterprises that include extortion, drug trafficking, robbery, and alien smuggling. Thus, tongs, while not triads, do in some respect imitate triad activity.

The typical organizational structure of a tong is similar to that of a corporation, headed by a president and vice president, officers—often including an auditor, public relations officers, counsel, and collector—and the regular members. The regular members typically pay dues and have little involvement in the operation of the tong.

The evidence that tong leadership is involved in criminal activities is substantial. In September, 1990, the New York On Leong Tong, along with local chapters in Chicago and Houston, were indicted on racketeering, gambling, and tax charges.<sup>10</sup> After a 5-month trial, the jury convicted the Chicago On Leong and three other men of tax conspiracy but was deadlocked on the racketeering charges. Other On Leong members were convicted of individual tax charges, and the Houston On Leong pled guilty to racketeering. A retrial on the deadlocked counts is scheduled. In Boston, Harry Mook, a leader of the Chinese Freemasons, recently pled guilty to involvement in a substantial money laundering operation and for bribing Boston police.<sup>11</sup> The former president of the Three Mountain Association, a now defunct New York-based tong, is currently jailed on drug charges.

In order to protect and further support their criminal activities, tongs have, in many instances, affiliated with Chinese street gangs. Most major New York City tongs are affiliated with a street gang. Kenneth Chu, a former member of both the On Leong Tong and the Ghost Shadows street gang testified to the close association between the Ghost Shadows and the On Leong Tong. He asserted that the Ghost Shadows would not continue to exist without the support and assistance of the On Leong.<sup>12</sup>

#### STREET GANGS

The third type of ethnic Chinese organized criminal group in the United States is the street gang. Chinese street gangs generally consist of males in their late teens and early twenties. While some gang members join voluntarily, others are coerced into joining. Chinese gangs sometimes conduct initiation ceremonies modeled after triad tradition and ritual.

While the organizational structure of the Chinese street gangs in the United States appears to vary, all have some type of hierarchical structure. The Ghost Shadows, for example, have three organizational levels. The top level consists of gang leaders referred to as "dai-los" or big brothers. These leaders are the ones most likely to have contact with other groups and are the farthest removed from the actual execution of any given crime. The second level consists of the lieutenants of the gang who manage the ordinary members. Finally, there are the members, or street soldiers, known as

<sup>10</sup> Indictment, *United States v. National On Leong Chinese Merchants Association et al.*, No. 90 CR 0760, United States District Court, Northern District of Illinois.

<sup>11</sup> *United States of America v. Robert Chin*, CR No. 90-10186-H, Joint Plea Agreement (D-Mass July 29, 1991).

<sup>12</sup> Testimony of Kenneth Chu, former Ghost Shadows Gang and On Leong Tong member before PSI, October 3, 1991.



ma-jai (little horse). The soldiers carry out the assignments of the leaders.

Chinese street gangs function on two related but distinct levels. First, the gangs engage in their own independent criminal activities such as extortion and robbery. Second, the street gangs work for and with other Chinese organized crime groups such as tongs or triads. For example, a tong that runs a gambling house may hire a gang to protect the gambling house from other gangs or from local law enforcement. In exchange, the gang receives the prestige of being associated with the tong and has access to the tong's protection and resources, including lawyers. Gang members often belong to both tongs and gangs.<sup>13</sup>

#### VIETNAMESE GANGS

The fall of Saigon to Communist forces in 1975 marked the beginning of a massive influx of Vietnamese nationals into the United States. Although the Vietnamese have settled across the country, their major population centers are in Texas, New York, and California. California alone is estimated to be the home of nearly 700,000 Vietnamese.

Vietnamese gangs are known to be highly mobile. Vietnamese gang members often travel interstate, perpetrating a variety of criminal acts in a short period of time. Such gangs utilize contacts in various U.S. cities which were made in refugee camps in Southeast Asia.

Vietnamese crime groups are generally considered to be less organized but more violent than ethnic Chinese organized crime groups. Some groups, such as the New York-based BTK (Born to Kill) Gang are well structured with a definite leadership hierarchy. Other gangs are very unstructured and constantly changing in affiliation. Ethnic Chinese from Vietnam (sometimes called "Viet-ching") often play an important role as members of Vietnamese gangs or as links between Vietnamese and Chinese crime groups.

Detective William Oldham of the New York Police Department testified at the Subcommittee's October 3, 1991 hearing that many Vietnamese gang members came to the United States as refugees, often as unaccompanied minors, in the early to mid 1980's. Many of these individuals had spent 2 to 3 years in often crime-ridden refugee camps in Southeast Asia before arriving in the United States and being placed in foster homes. These youths often ended up on the streets becoming ideal candidates for gang membership and gang-related activities.

Vietnamese crime groups are involved in a wide range of criminal activities. Sgt. Douglas Zwemke of the San Jose Police Department testified that the Vietnamese crime groups have left "virtually no illegal stone unturned." He identified the major areas of Vietnamese-related criminal activity to include: Extortion; fraud; auto theft; terrorism (political and criminal); high-technology theft; gambling; prostitution; narcotics trafficking, and home invasion robberies.

Although the BTK is thought to have been weakened by successful prosecutions in the New York area, it remains one of the most

<sup>13</sup> *Ibid.*

powerful ethnic Vietnamese gangs. Its membership includes some ethnic Chinese who grew up in Vietnam. The BTK was founded in 1988 by the recently jailed David Thai after Thai left a gang known as the Vietnamese Flying Dragons to form BTK. The gang, also known as the Canal Street Boys, since they controlled the Canal Street area of New York's Chinatown, is believed to consist of from 50 to 100 members, with associates in New York, New Jersey, Connecticut, and Canada.

The BTK has not confined its criminal activity to New York's Chinatown, but has regularly committed offenses against primarily Asian victims throughout the United States and Canada.<sup>14</sup> David Thai and six other BTK members were convicted on March 30, 1992 on charges of robbery, murder, illegal possession and sale of firearms, and other violent crimes. Johnny Lai, aka Lam Loc, is now believed to lead the gang.

#### JAPANESE ORGANIZED CRIME: THE BORYOKUDAN

Japanese crime groups are referred to by the Japanese National Police Agency as the "Boryokudan," which means "the violent ones." Boryokudan has replaced the historical label of "Yakuza," a slang term Japanese gang members gave themselves to depict an underdog image.<sup>15</sup>

The official membership of Boryokudan groups in Japan is estimated to be 88,300, but there may be as many as ten times that number of other criminal associates. The Boryokudan wield enormous influence in Japan, and have penetrated many aspects of Japanese life, reaping substantial illegitimate profits and investing in many legitimate businesses. Boryokudan have become increasingly active internationally, particularly in global money-laundering operations and narcotics trafficking. The Japanese National Police estimate Boryokudan earnings worldwide to total \$10 billion annually, a third of which comes from drug trafficking activities. Boryokudan members are actively laundering drug profits by purchasing American real estate, including golf courses and other property. Boryokudan members are also involved in other criminal activities in the United States, including murder, extortion, illegal gambling, prostitution, and illegal immigration.

#### HISTORY

The roots of the Boryokudan can be traced to the early 17th Century, when there existed a lower class of independent samurai warriors.<sup>16</sup> These legendary figures have been the subject of many Japanese stories, and as bandit heroes, can be likened to Robin Hood.

Boryokudan origins can be traced to two other groups which evolved during the 18th and 19th Centuries—street peddlers and gambling gangs. The street peddlers were organized into gangs with complex organizational structures emphasizing total loyalty. The gambling gangs were known as "Bakuto." Tattooing, which

<sup>14</sup> Testimony of William Oldham, New York Police Department, before PSI, October 3, 1991.

<sup>15</sup> Ya-Ku-Sa is the number 8-9-3 in Japanese and is a losing hand in a popular Japanese card game. Thus, Yakuza translates roughly to "loser." The Boryokudan have cultivated their "underdog" image over the years and have used it to elicit a degree of sympathy from the Japanese public.

<sup>16</sup> Statement on Japanese Organized Crime, Alec Dubro, Record of Hearings of Permanent Subcommittee on Investigations on *Emerging Criminal Groups*, September 17 and 24, 1986.

until recently was widely popular among Boryokudan members, and finger-cutting (the practice of cutting off a joint of the little finger as an indication of remorse when an assigned task was not performed) began with the bakuto, which also maintained some degree of secrecy within each group. The bakuto were the first to call themselves "Yakuza," taking pride in their societal status as "worthless" outcasts.

In the 20th Century, expansion of Boryokudan activities corresponded with the growth of the Japanese economy. Boryokudan entered into a variety of businesses, most notably construction and transportation. The gangs also entered the political arena, typically choosing to align themselves with right-wing nationalist politicians.

Boryokudan associate Yoshio Kodama, an ultra-nationalist, donated large sums of money to the Liberal Democratic Party during the American occupation of Japan, and managed to cultivate close relationships with a variety of important individuals, including other Boryokudan leaders and Japanese politicians.<sup>17</sup> Kodama's widespread influence in Japanese political circles laid the groundwork for future Boryokudan influence in Japanese financial circles. Recently, there have been numerous publicly reported incidents revealing the Boryokudan's involvement in public corruption which have also involved major figures in industry and finance.

Two recent reports illustrate the influence of the modern Boryokudan in the upper echelons of the Japanese financial world. In the Summer of 1991, it was revealed that two of Japan's largest and most influential securities houses, Nomura Securities and Nikko Securities, had previously lent over \$268 million to Susumu Ishii, the late boss of the Inagawa-kai syndicate. The same prestigious firms were found to have executed stock trades for Ishii, including manipulative trades of the stock of Tokyu Corp., a large Japanese conglomerate.<sup>18</sup>

A second financial scandal involved a prominent Japanese express delivery company, Tokyo Sagawa Kyubin, which was linked to billions of dollars in loans to a variety of individuals, including prominent politicians as well as companies owned by the Inagawa-kai. Loans valued at \$765 million went to underworld figures or businesses, including monies lent to Susumu Ishii to speculate in the stock market.<sup>19</sup> The loans reportedly generated kickbacks, according to news reports, that were paid to politicians.<sup>20</sup>

Over the past three decades, the Boryokudan have become immersed in real estate development, company racketeering, and large-scale loansharking. Much of their business activity is facilitated through extortion, and Boryokudan leaders have often used strong-arm tactics in business transactions of all sizes.

The involvement of the Boryokudan in legitimate business was detailed in the testimony on August 4, 1992, of a Boryokudan associate before the Subcommittee:

<sup>17</sup> David E. Kaplan and Alec Dubro, *Yakuza* (Addison-Wesley Publishing, 1986), p. 63-69.

<sup>18</sup> Report of Japan Economic Institute, "More Eyes on Yakuza's Role in Japanese Economy," May 8, 1992, p. 7.

<sup>19</sup> *Ibid.*, p. 7-8.

<sup>20</sup> New York Times, "Top Japanese Party Leaders Accused of Links to Mobsters," September 23, 1992, p. A1.

"I was formerly involved in real estate investment and development. Through my business, I became closely associated with a number of high-level Boryokudan figures, including leaders of several Boryokudan groups. My relationships were important to my success in the real estate business in Japan . . .

"Some would argue that their greatest impact is now in more legitimate activities. The Boryokudan have become increasingly sophisticated, and currently play an active role in many Japanese business enterprises . . . the Boryokudan Syndicates are active investors in the stock market and have been linked to several major financial scandals in recent years. Such scandals have also shown the Boryokudan to have influence in political circles, where certain gang members have cultivated the favor of a small number of politicians."<sup>21</sup>

The success of Japanese criminal groups on the domestic front has been facilitated by their being allowed to operate in the open. Boryokudan have functioned largely as public corporations, maintaining offices which display their group logo, and even carrying business cards identifying their gang.<sup>22</sup>

The Boryokudan, until recently, submitted membership lists to the National Police Agency (NPA). While the Japanese police have recently used the substantial intelligence base generated by these lists to expand anti-Boryokudan efforts, a significant number of Japanese police officers have traditionally held some degree of respect for the gangsters.<sup>23</sup> Breaking with past acceptance of Boryokudan, on March 1, 1992, the Japanese Government began enforcement of a new "Boryokudan Countermeasures Law." The Japanese Government has also promulgated new money laundering statutes to go into effect at the end of 1992.<sup>24</sup> It remains to be seen how effective these laws will be in counteracting Boryokudan power and influence in Japanese society. What is clear, however, is that the Boryokudan have attempted to disguise their activity by moving their offices underground. Some Boryokudan groups have changed their names in an attempt to masquerade as legitimate businesses.

#### BORYOKUDAN OPERATIONS ABROAD

Over the last three decades, Japanese organized crime has expanded overseas. While Japanese crime groups have been active in Korea since the end of World War II, Boryokudan prostitution operations in Korea greatly expanded in the 1970's. During that decade, the Boryokudan became deeply involved in the international sex trade. Boryokudan-controlled prostitution, pornography, and "sex tour" operations stretched to Taiwan, the Phillipines, Thailand, and later to South America, Europe, and the United States.

<sup>21</sup> Testimony of confidential witness "Bully" before PSI, August 4, 1992.

<sup>22</sup> Report of Japan Economic Institute, *op. cit.*, p. 4.

<sup>23</sup> Kaplan and Dubro, *op. cit.*, p. 162-163.

<sup>24</sup> Japanese Law, "Act regarding exception, etc., of the Narcotics and Tranquillizer Control Act to Prevent Action, etc., of promoting malpractice in connection with restricted drugs under the International Cooperation.

Boryokudan members have recruited American women from Hawaii and the West Coast into prostitution in Japan.<sup>25</sup>

Boryokudan operations in the United States during recent years have included gun running, drug trafficking, gambling, extortion, immigration fraud, securities violations, and money laundering. In 1985 Masashi Takenaka, the brother of the former boss of the Yamaguchi-Gumi, was arrested in Honolulu for conspiring to buy guns and rocket launchers, which were intended for use in a war against the Ichiwa-kai, a now defunct rival splinter group in Japan. Other members of the Yamaguchi-Gumi were charged with conspiring to sell amphetamines and heroin in Hawaii, as well as murder-for-hire. While the prosecution ultimately was unsuccessful, the charges resulted in significant loss of "face" and money for the Yamaguchi-Gumi.<sup>26</sup>

Boryokudan gangs currently play a primary role in bringing crystal methamphetamine, also known as "ice," into Hawaii, where it is now regarded by law enforcement officials as the No. 1 drug problem.

Japanese criminal figures routinely visit Las Vegas, and to a lesser extent, Atlantic City, on gambling junkets. Additionally, Boryokudan members have been tied to illegal gambling operations in the United States.<sup>27</sup>

Boryokudan members have kept a low profile in extortion operations in the United States. Although Boryokudan corporate extortionists, known as sekoiya, made appearances at corporate board meetings of such companies as BankAmerica and Chase Manhattan Bank in the early 1980's, these "visits" were of little consequence. No recent attempts to strong-arm blue chip American firms have been documented. Street-level extortion of businesses by Boryokudan has been reported in Hawaii and Southern California in recent years, but such activity has been minimal compared to the high level of Boryokudan extortion operations in Japan.

Currently, U.S. law enforcement concern about Japanese crime groups is primarily focused on money laundering. Numerous instances exist where U.S. properties were purchased by individuals with alleged Boryokudan ties. Unfortunately, the difficulty of obtaining intelligence from the Japanese National Police makes this a particularly difficult area to document. A Boryokudan associate testified before the Subcommittee that close to 50 major properties in Hawaii have been purchased with Boryokudan money.<sup>28</sup> Property purchases have primarily been in Hawaii, Nevada, California, and U.S. territories in the Pacific. Such purchases grew dramatically during the expansion of the so-called Japanese "Bubble Economy," which ended in 1991. While it is unclear what effect the economic downturn in Japan will have on Boryokudan money laundering efforts in the United States, U.S. law enforcement authorities are convinced that substantial sums of money are still being successfully laundered in the United States.

<sup>25</sup> Kaplan and Dubro, *op. cit.*, p. 251; see also testimony of confidential witness "Bully," *prev. cit.*

<sup>26</sup> Kaplan and Dubro, *op. cit.*, p. 138.

<sup>27</sup> Testimony of "unidentified witness" before the President's Commission on Organized Crime, *Record of Hearing III: Organized Crime of Asian Origin*, p. 259-269.

<sup>28</sup> Testimony of confidential witness "Bully," *prev. cit.*

The United States Attorney in Hawaii has taken an aggressive stance against the Boryokudan members attempting to enter Hawaii, prosecuting more than 100 members and associates for immigration fraud, usually for lying on visa applications. Unfortunately, not all of these cases have been successful, due to the problems U.S. law enforcement frequently faces in obtaining "official" verification of Boryokudan affiliations from the Japanese National Police. Most information related to Boryokudan membership status is passed among law enforcement officers on an individual, "unofficial" basis and is therefore of limited use in court proceedings. Moreover, even successful prosecutions have not usually resulted in significant sentences. Outside of Hawaii, there have been very few successful prosecutions of Boryokudan members. Even in Hawaii, prosecutors have thus far found it impossible to challenge suspected Boryokudan money laundering activities because of difficulties in tracing sources of funds in Japan and because of the limitations of U.S. money laundering statutes.

#### STRUCTURE

As noted previously, Boryokudan group organization is hierarchical in nature. Different Boryokudan groups display varying degrees of top-to-bottom control. One authority described Japanese gang structure as combining "strong vertical links with a high degree of compartmentalization among component sub-groups, each of which retains considerable flexibility and autonomy provided it fulfills its obligations to the organization as a whole."<sup>29</sup> Indeed, the largest Boryokudan organizations are umbrella groups for numerous subgroups. The Japanese National Police recently estimated the largest group, the Yamaguchi-Gumi, to include 944 affiliated subgroups.<sup>30</sup> Overall, most Boryokudan groups are structured with a Boss, Chairman, or President, (Oyabun, Kumicho or Kaicho) at the top of the hierarchy, followed by an Underboss (Wakagashira), who is directly above a small group known as the "Inner Council" (Wakagashira-hosa), followed by various bosses of subgroups. Each subgroup, in turn, is filled with various members (Kobun), apprentices (Sanshita) and associates.<sup>31</sup>

Total membership of the Boryokudan, most recently estimated to be 88,300 by the NPA, is dispersed among more than 3,000 gangs. Overall, membership has declined since 1963, when the gangs boasted their highest level of 184,000 members. Nevertheless, today's gangsters are becoming increasingly sophisticated and more aggressive, demonstrating a propensity for violence far beyond that of earlier Boryokudan members.

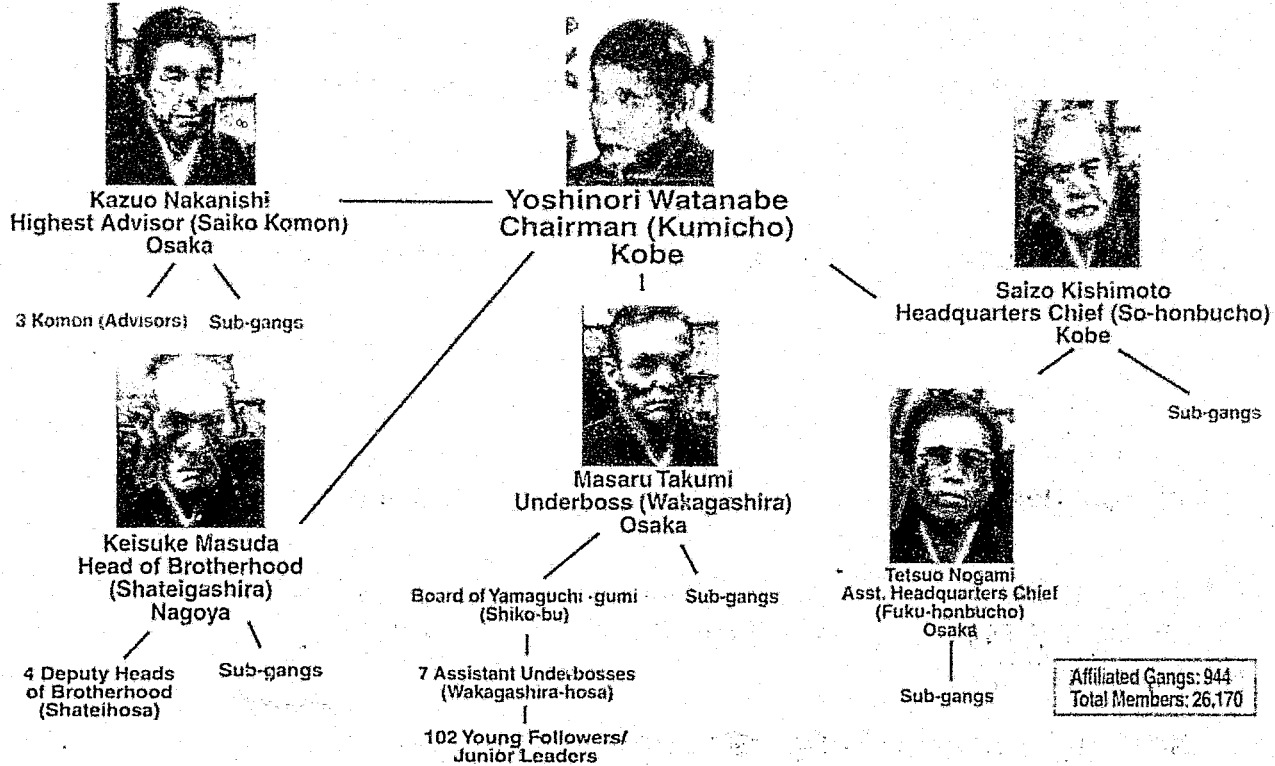
[Yamaguchi-Gumi and Other Major Japanese Boryokudan Groups charts follow.]

<sup>29</sup> Far Eastern Economic Review, "Power to the Yakuza," by Robert Delfs, November 21, 1991, p. 30.

<sup>30</sup> National Police Agency, Government of Japan, "White Paper on Police," 1991, p. 49.

<sup>31</sup> Chart, prepared by the FBI, "Boryokudan (Yakuza) Subgroup Structure," Exhibit 17 to PSI Hearing Record on *Asian Organized Crime*, S. Hrg. 102-346, October 3, November 5-6, 1991.

# YAMAGUCHI-GUMI (Yamaguchi Gang)



## Other Major Japanese Boryokudan Groups

**Inagawa-kai**  
**(Inagawa Society)**

**Yuko Inagawa**  
**Boss**  
**Tokyo**

**Est. Membership:**  
**8,682**

**Sumiyoshi-Kai**  
**(Sumiyoshi Federation)**

**Shigeo Nishiguchi**  
**Boss**  
**Tokyo**

**Est. Membership:**  
**7,000**

**Toa Yuai Jigyo Kumiai**  
**(East Asia Friendship**  
**Enterprises Assoc.)**

**Morihiro Okita**  
**Boss**  
**Tokyo**

**Est. Membership:**  
**886**

**Total Gangs Under Control: 716**

Prepared by United States Senate Permanent Subcommittee on Investigations



The Yamaguchi-Gumi is the largest Boryokudan group in Japan, and with 26,170 members, constitutes more than 29 percent of all Boryokudan members.<sup>32</sup> Yamaguchi-Gumi activity has been identified in the United States on several occasions. As previously indicated, some members were arrested in 1985 on drug trafficking charges and for attempting to purchase guns and rocket launchers in Hawaii. In 1988, a Japanese company run by a former member of the Yamaguchi-Gumi with continued close relations with the group, purchased real estate valued at \$164 million in Oahu, Hawaii, including the Turtle Bay Hilton Resort.<sup>33</sup> In 1991, a Yamaguchi-Gumi-backed front company, ASA Development, proposed a \$300 million casino project on the island of Tinian, a U.S. possession in the Northern Marianas Islands.<sup>34</sup> The proposal was turned down, but Boryokudan efforts to enter the casino business on Tinian continue.

The second largest group, known as the Inagawa-kai, contains approximately 8,682 members, or 10 percent of the Boryokudan. The Inagawa-kai is based in Tokyo, along with the third largest group, the Sumiyoshi Rengo-Kai, a group numbering over 7,000 members. A fourth group is the Toa Yuai Jigyo Kumiai (TYJK). With 886 members, TYJK comprises only one percent of all Boryokudan, but it has been particularly active in the United States. Ken Mizuno, a close associate of TYJK, has purchased assets in the United States valued at more than \$400 million, including golf courses in Nevada, California, and Hawaii. He was arrested in Japan during February, 1992, on corporate tax evasion charges. Allegedly, he fraudulently sold golf memberships, generating approximately \$800 million.

TYJK is also believed to be heavily involved in the importation of crystal methamphetamine into Hawaii.

#### ETHNIC CHINESE AND VIETNAMESE ORGANIZED CRIME ACTIVITY IN THE UNITED STATES

While Asian organized criminal activity takes place in many areas of the United States, it is particularly concentrated in two areas, New York and California.

##### NEW YORK CITY

During the past 25 years, New York's Chinatown population has grown dramatically. It consists largely of first-generation Chinese and has been viewed as the center of ethnic Chinese organized crime in the United States. New York City is distinguished in part by the strong tradition of specifically delineated street gang and tong territories, and by the wide prevalence of extortion of legitimate Asian operated businesses.

[Leadership Structure of Primary Tong and Affiliated Gangs in New York City chart follows:]

<sup>32</sup> National Police Agency, *loc. cit.*



<sup>33</sup> Honolulu Advertiser, "Resort Official Former Yakuza Member," August 23, 1988.

<sup>34</sup> Written testimony of Frederic E. Gushin, submitted to PSI, August 4, 1992.

# Leadership Structure of Primary Tongues and Affiliated Gangs in New York City

TONGS


**On Leong Association**  
83 Mott Street

Wing Lok Chan  
National President


Wong Keng Chan  
Prime Minister / President  
1987-1990

**Hip Sing Association**  
16 Pell Street




Benny Cho  
aka "Lucky Rabbit"  
Advisor / Leader

**Tung On Association**  
27 Division Street



Yikard Wong  
aka "The Fake Horse"  
President




**Fukien American Association**  
125 East Broadway



Aik Liu  
aka "The Snake"  
Chairman

GANGS





**Ghost Shadows**  
Mott Street / Bayard Street

Wong Lok  
aka "The Snake"

Aik Liu  
aka "The Snake"

**Flying Dragons**  
Pell Street / Doyer Street





Benny Cho  
aka "Lucky Rabbit"  
Advisor / Leader

Benny Cho  
aka "Lucky Rabbit"

Benny Cho  
aka "Lucky Rabbit"

Benny Cho  
aka "Lucky Rabbit"

**Tung On Boys**  
E. Broadway / Division St.


Yikard Wong  
aka "The Fake Horse"  
President

Yikard Wong  
aka "The Fake Horse"

Yikard Wong  
aka "The Fake Horse"

Yikard Wong  
aka "The Fake Horse"


**Fuk Ching**  
Eldridge St - E. Broadway



Aik Liu  
aka "The Snake"



UNAFFILIATED GANGS

**White Tigers**  
Queens



Wong Lok  
operates on Mott Street with permission of Ghost Shadows

**Born to Kill**  
(a.k.a. Canal Street Boys)





Benny Cho  
aka "Lucky Rabbit"

Benny Cho  
aka "Lucky Rabbit"

(with loose membership)

**Green Dragons**  
Queens



Benny Cho  
aka "Lucky Rabbit"

New York gangs and tongs are involved in a wide range of illegal activities. These crimes include extortion, theft, alien smuggling, drug smuggling, murder, gambling, and prostitution.

New York City, as noted previously, is the destination for most of the Southeast Asian heroin entering the United States. In 1989, in a single case, authorities in New York City netted \$3 million in cash and 820 pounds of 90 percent pure Southeast Asian heroin with an estimated street value of over \$1 billion. It was the largest heroin seizure in the United States at that time, and has to date resulted in over 40 arrests worldwide.<sup>35</sup> In fact, New York City serves as the distribution center for most Southeast Asian heroin which enters the United States. There is clear evidence that individual tong officials and street gang leaders are involved in heroin trafficking, but organizational involvement by the tongs and street gangs in drug trafficking appears limited.

The so-called godfather of Chinatown is Benny Ong. Ong, also known as "Uncle Seven," is the officially designated "advisor for life" leader of the Hip Sing Tong located on Pell Street. Now in his eighties, Ong has long been associated with organized crime in Chinatown. Mr. Ong invoked the Fifth Amendment and refused to answer questions during a staff deposition.

The Hip Sing Tong is the sponsor of the Flying Dragons street gang in New York. This relationship exists in other cities as well.

The Hip Sing's traditional rival is the On Leong Chinese Merchants' Association. The On Leong Tong is headquartered nationally in New York City and is currently headed by Chan Wing Wah. His brother, Chan Wing Yeung, resigned the post in April of 1989. The Chan brothers, as well as the National On Leong Association, have been indicted in a Chicago-based RICO prosecution which charged 29 officers and associates of the National On Leong Tong. The case recently resulted in a hung jury on the RICO counts and several individual convictions on tax evasion charges. The case is expected to be retried. A third brother, Chan Wing Lok, is the main street leader of the affiliated Ghost Shadows Gang. Robin Chee and James Lee, aka "Bradley Joe," are also street leaders of the Ghost Shadows.

Another major tong in Chinatown is the Tung On. The Tung On's president is Clifford Wong, aka "Chi Fai Wong." Wong is widely believed to be a member of the Hong Kong-based Sun Yee On Triad which, among other activities, dominates the entertainment industry there. Wong was heavily involved with Asian entertainment in Atlantic City until his license was revoked in early 1989. Wong invoked his Fifth Amendment rights and refused to answer questions when subpoenaed before the Subcommittee.<sup>36</sup>

The BTK, or Born to Kill Gang, is currently the most feared of the Chinatown street gangs. Members are mostly of ethnic Vietnamese origin or are ethnic Chinese who grew up in Vietnam and are considered more violent than the other street gangs. (See discussion, supra p. 13-14.)

<sup>35</sup>U.S. vs. *Woo Kok Leung, et. al.*, No. 89-CR-158 and 159, Eastern District of New York.

<sup>36</sup>Testimony of Clifford Wong, before PSI, November 5, 1991.

## NORTHERN CALIFORNIA

The structure of Asian organized crime on the West coast differs from that in New York City in two respects. First, while there are some relationships between gangs and tongs, particularly in San Francisco, the level of control exercised by tongs over gangs is substantially less on the West coast. Second, a Hong Kong-based triad, the Wo Hop To, has established itself as the dominant force in Asian organized crime in the San Francisco Bay Area by eliminating or co-opting other gangs. In both Northern and Southern California, ethnic Chinese organized crime groups often use young members of Vietnamese street gangs to protect gambling dens, extort merchants and conduct home invasion robberies.

The Wah Ching Gang, under the leadership of Vincent Jew, was the dominant Asian criminal group in Northern California until the mid 1980's. Under pressure from law enforcement, Vincent Jew eventually left San Francisco and now reportedly resides in Taiwan, while spending a significant amount of time in Hong Kong. He passed the leadership of the Wah Ching in San Francisco to Danny Wong. One of Jew's lieutenants, Tony Young, relocated from San Francisco to the Los Angeles area where he now controls the Southern California Branch of the Wah Ching.

During the mid-1980's, Chu Kong-Yin, aka Alfred Chu, a reputed "426" or enforcer of the Hong Kong-based Wo Hop To Triad, began recruiting members for his organization in the East Bay. Chu was arrested by INS in October of 1988 on immigration violations and eventually sentenced to 5 years for lying on his application for permanent U.S. residency.<sup>37</sup> By the time of Chu's arrest, he had established a sizable Wo Hop To operation in Oakland, and his recruits make up a key segment of the current Wo Hop To structure.

After Alfred Chu's arrest, Peter Chong, aka Chong Bing-Keung, a Wo Hop To Triad member from Hong Kong, assumed leadership of the group.<sup>38</sup> Chong has successfully integrated a number of criminal factions under the Wo Hop To umbrella, including Oakland gangs, disgruntled Wah Ching members, and several Vietnamese street gangs. Chong's activities prompted a number of retaliatory moves by the Wah Ching. At least five murders of Wah Ching and Wo Hop To members have occurred, including the assassination of Danny Wong, the Wah Ching leader, on April 19, 1991. Although retaliatory moves continue, the Wo Hop To is now in control of virtually all Asian organized crime in the Bay Area.

As previously stated, Wo Hop To members are involved in a wide range of illegal activities in the San Francisco Bay Area, including heroin trafficking, money laundering, extortion, home invasion robberies, kidnapping, and assault. Peter Chong, the leader of the Wo Hop To in San Francisco, has also been active in Asian entertainment brought to San Francisco, and a number of other seemingly legitimate business ventures.

Gambling is a major source of cash for the Wo Hop To's operations. Underground gambling parlors, numbering at least 50 in

<sup>37</sup> Report of the Immigration and Naturalization Service on "The INS Enforcement Approach to Chinese Organized Crime," June 1990, page 10.

<sup>38</sup> Memorandum In Support of Detaining Defendant Without Bail Pursuant to 18 U.S.C. Section 3142 in case of *US v. Chien I. Chiang*, Northern District of California, Case No. 3-91-598-SL, October 7, 1991, page 4.

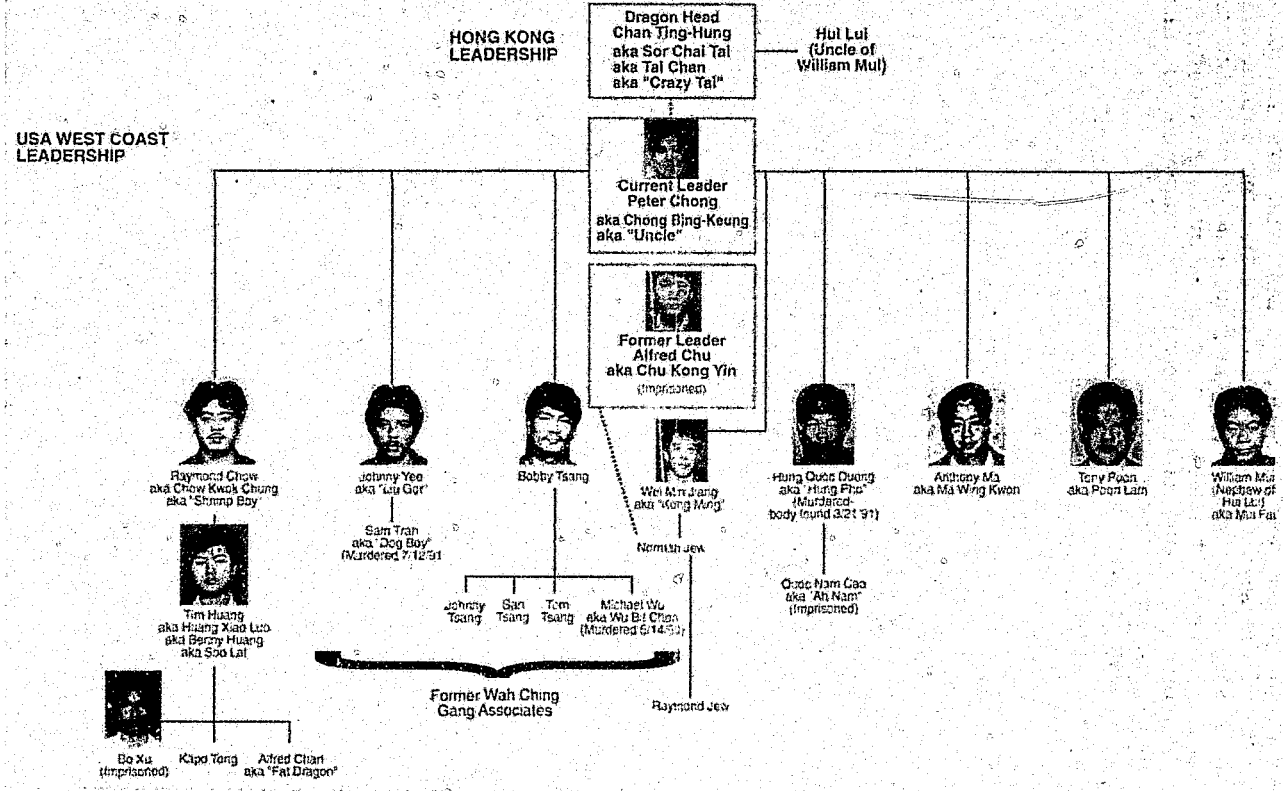
San Francisco's Chinatown alone, pay \$200-\$750 per table, per week for protection.<sup>39</sup> Wo Hop To associates are also active in many of the legal card clubs in Emeryville, San Bruno, and San Jose. Such activity includes dispatching loan sharks to the various locations to contact dealers and pit bosses about potentially vulnerable customers. Some of these card clubs' employees are also Wo Hop To associates or members.

[Wo Hop To Triad chart follows:]

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<sup>39</sup> Deposition of confidential witness "Mr. Tam," November 6, 1991.

# Wo Hop To Triad



Three individuals noted on the Wo Hop To organizational chart appeared before the Subcommittee on November 5, 1991. Peter Chong, the U.S. leader of the group; refused to testify, asserting his Fifth Amendment privilege. Bobby Tsang, one of Peter Chong's lieutenants, also invoked his Fifth Amendment privilege. Tony Poon, identified as "an affiliate of Peter Chong [and] a known book-maker,"<sup>40</sup> testified about the Wo Hop To and its rival, the Wah Ching Gang.

In June of 1992, the FBI arrested several key Wo Hop To figures, including the triad's reputed No. 2 man, Raymond Chow, also known as "Shrimp Boy."<sup>41</sup> Chow was charged with a murder-for-hire plot in Boston which targeted a rival gang member, and in a heroin conspiracy scheme involving a number of key Wo Hop To members. Other June, 1992 arrests involved two Portland individuals tied to Wo Hop To gun smuggling activity.

The full impact of the recent law enforcement efforts against the Wo Hop To remains to be seen. The triad is well entrenched, and key leaders remain. The recent efforts of the FBI are, however, extremely encouraging and are to be highly commended.

Bay Area Asian gang activity is not confined to San Francisco or Oakland. In the South Bay, San Jose has recently seen a massive influx of Vietnamese immigrants. The Vietnamese population has increased 500 percent in the last decade, and now totals over 100,000, the largest in California. There are several Vietnamese gangs in San Jose, most notably the Hung Pho, which has been brought under the Wo Hop To umbrella. Young Vietnamese gangsters are involved in home invasion robberies, car theft, and extortion of merchants and gambling operations.<sup>42</sup>

#### SOUTHERN CALIFORNIA

Southern California has three distinct Asian population centers. The oldest of these is the downtown Los Angeles Chinatown. The second is the San Gabriel Valley, part of Los Angeles County, including communities such as Monterey Park, Alhambra, Rosemead, and San Gabriel. Many of these cities have seen a dramatic influx of Asians over the past decade, and Asian organized crime has accompanied this Asian immigration. The San Gabriel Valley is home to immigrants from China, Taiwan, and Hong Kong.

The third and newest Asian population center, sometimes called "Little Saigon," is comprised of three cities in Orange County—Westminster, Garden Grove, and Santa Ana—home to more than 75,000 Vietnamese and more than 40,000 Chinese residents.<sup>43</sup> Large numbers of young Vietnamese have had difficulty assimilating into American life. This has contributed to a rise in gang membership and gang-perpetrated violence.

Orange County law enforcement authorities estimate that there are as many as 80 Indo-Chinese gangs in the region. These gangs are often extremely violent and engage in home invasion robberies,

<sup>40</sup> Deposition of confidential witness "Mr. Tam," November 6, 1991.

<sup>41</sup> Affidavit of FBI Special Agent Anthony Lau, June 9, 1992.

<sup>42</sup> Testimony of Detective Douglas Zwemke, San Jose Police Department before PSI, October 3, 1991.

<sup>43</sup> These numbers are from the 1990 census, which local authorities argue undercounts these populations. Other estimates range up to 130,000 Vietnamese in the area. The fact that the Vietnamese population more than tripled in the 1980's is not disputed.

extortion, and auto theft. Many of these ethnic Vietnamese gangsters aspire to follow their ethnic Chinese counterparts into more lucrative crime such as narcotics trafficking and illegal gambling.

In contrast to Northern California, there is currently no single dominant Asian criminal group in Southern California. The United Bamboo Gang, a Taiwan-based triad, has operations in the San Gabriel Valley. A law enforcement raid on a safe house in the Los Angeles area uncovered an organizational chart showing part of the United Bamboo's Los Angeles organization. The chart details the involvement of Benson Wang, aka Wang Chih Pin, in gambling and extortion activities on behalf of the United Bamboo.<sup>44</sup> Benson Wang was deported to Taiwan in October, 1991, in connection with the murder of a Taiwanese family in the Phillipines. Other United Bamboo operations in Southern California include semi-legitimate business ventures, through which money is laundered.

The Wah Ching Gang is involved in criminal activity in the downtown Los Angeles Chinatown and, to a lesser extent, in Monterey Park and surrounding San Gabriel Valley cities. The Wah Ching is also active in semi-legitimate businesses such as entertainment promotion and bulk leasing of video cassettes. Both the United Bamboo and the Wah Ching utilize ethnic Chinese-Vietnamese gangs for intimidation and street-level activity, such as home invasions and protection of gambling establishments. The Wah Ching Gang in Southern California is led by Tony Young, aka "Sweet Plum," the former lieutenant of Wah Ching leader Vincent Jew.<sup>45</sup> Young has also been identified as an associate of the Sun Yee On Triad.<sup>46</sup> He has used his Sun Yee On ties to bring Asian entertainment to Los Angeles.

Asian gang activity in Southern California appears to be in a state of turmoil, influenced by the gang warfare in Northern California as well as by the emergence of more independent Vietnamese and Viet-Ching groups in Southern California. The Wah Ching have been orchestrating Viet-Ching groups in street-level activities, but have recently experienced control problems as these young groups mature and begin to act independently. The United Bamboo have previously utilized the Black Dragons (an offshoot of the Ghost Shadows), the V-Boys and the Hung Pho Gang for street level criminal activities. The affiliation of the Hung Pho with the Wo Hop To in Northern California, however, has created some question as to whether these relationships will endure.

#### CRIMINAL ACTIVITIES

As previously stated, Asian organized crime groups are involved in a wide variety of criminal activity, both in the United States and abroad.

<sup>44</sup> Exhibit 44, Record of Hearings of PSI on *Asian Organized Crime*, October 3, November 5-6, 1991, S. Hrg. 102-346, pages 372-375.

<sup>45</sup> Chart prepared by PSI, "Wah Ching Gang," introduced at hearing on November 5, 1991.

<sup>46</sup> Chart prepared by PSI, "Sun Yee On Triad," introduced at hearing on June 18, 1992.



## NARCOTICS TRAFFICKING

## HEROIN

Ethnic Chinese Triad members are heavily involved in heroin trafficking. The French Connection, the old heroin smuggling route from Turkey to New York by way of Marseilles, has been replaced by the Chinese connection. Heroin from Southeast Asia begins in the poppy fields of the Golden Triangle area of Myanmar (formerly Burma), Laos, and Thailand and continues through Hong Kong, Mainland China, Taiwan or other routes, to the United States with the ultimate destination usually New York City.

At the Subcommittee's August 4, 1992 hearing, David Cohen of the Central Intelligence Agency's Counternarcotics Unit, testified that worldwide opium production has more than doubled since 1985 and that two-thirds of that total originates in Southeast Asia. Cohen reported that opium production in the golden triangle is currently at record levels. Growing areas appear to be spreading as China has once again become an opium producer. Vietnam has also become a source for opium production.

The increase in opium production in Southeast Asia coincides with trends in the United States. The Drug Enforcement Administration's heroin signature program has found a substantial increase in the proportion of Southeast Asian heroin entering the United States.<sup>47</sup> The DEA reported in 1991 that 56 percent of all heroin available in the United States was of Southeast Asian origin.

In New York, the street-level purity of heroin in 1991 averaged 41 percent, significantly higher than just 3 years ago. While purity has steadily increased, the price of heroin has decreased. Eighty-eight percent of the heroin randomly sampled in New York was of Southeast Asian origin.<sup>48</sup>

David Cohen of the CIA further testified that triad members have a long standing involvement in heroin trafficking regionally and internationally. Ethnic Chinese, many of whom are triad, tong, or gang members, dominate the Southeast Asian heroin business. However, neither triads, tongs nor gangs appear to be currently involved, as organizations, in heroin trafficking. While members of these groups frequently utilize their membership to benefit their heroin trafficking enterprises, the groups themselves are not typically part of the heroin smuggling.

The testimony of a convicted heroin dealer and 14K triad member is illustrative. Confidential witness "Mr. Ma" testified that after initially operating a loan shark and prostitution business in Hong Kong, he got involved with heroin trafficking through a 14K associate from whom he purchased the heroin. He also testified that after he began importing heroin into the United States, he employed his "little brothers" in the 14K to help him launder the proceeds back to Hong Kong. However, not all the members of his drug smuggling organization were members of his triad. In fact, it is relatively easy for triad members to form criminal associations with members of other triads or with outsiders.

<sup>47</sup> U.S. Department of Justice, Drug Enforcement Administration "Worldwide Heroin Situation 1990," May 1991, page 1.

<sup>48</sup> U.S. Department of Justice, Drug Enforcement Administration, "Worldwide Heroin Situation 1990," *loc. cit.*

In contrast, convicted heroin smuggler and triad member, Johnny Kon, aka Kon Yu-Leung, testified that he formed a group of Big Circle Gang members into a tight knit group, known as the Flaming Eagles Gang, which he hoped would become a "super triad." The main business of the Flaming Eagles Gang was heroin trafficking. While the Flaming Eagles Gang fell apart after the arrest of Johnny Kon, the creation of this gang demonstrates the potential of triad like organizations becoming more involved in heroin trafficking. It should be noted that Kon also utilized his connections as an office bearer in the Wo On Lok Triad to further his criminal enterprises.

#### CRYSTAL METHAMPHETAMINE ("ICE")

In contrast to the Chinese triads, Japanese organized crime groups tend to be more structured and hierarchal and are more heavily involved as criminal organizations in criminal enterprises, rather than as individual criminals who also are members of criminal organizations.

This is important in considering law enforcement strategies for attacking the smuggling of crystal methamphetamine, or "ice." FBI Director William Sessions testified that, "The Boryokudan control an estimated 90 percent of the 'ice' flow into Hawaii." Sessions also acknowledged that ice smuggling is "basically run by the Boryokudan in association with Koreans."<sup>49</sup> Assistant Attorney General Robert Mueller told the Subcommittee on November 6, 1991 that, "in Hawaii, the Korean syndicate known as the Toa Yuai Jigyo Kumiai—an affiliate of the Boryokudan—controls most of the ice trade." The Toa Yuai Jigyo Kumiai, or TYJK, is headquartered in Japan, but most of its membership is of ethnic Korean descent.

Crystal methamphetamine, also known as "ice," is a stimulant narcotic which has become increasingly prevalent in Hawaii and the West Coast of the United States over the past decade. "Ice" is smoked by its users, who obtain a "high" which is longer lasting than that of cocaine. The drug is cheaper to produce than cocaine, and sells for a higher price per unit, making it very profitable. The drug is extremely debilitating, and has been known to put users into a violent, paranoid state. The drug has been particularly damaging to some of Hawaii's lower income communities, where ice has become the drug of choice.

FBI Director Sessions also noted that, "[according to] the National Police Agency of Japan, the Boryokudan, in 1988, grossed almost 10 billion U.S. dollars in revenue, one-third from crystal methamphetamine ('ice')." The role of the Japanese in the ice trade appears to be largely focused on the financial and organizational ends. Boryokudan groups finance the ice and pass responsibility for production, transportation and distribution along to other ethnic groups. Korean and Filipino crime groups are most visibly involved in actual ice distribution in Hawaii.

FBI Director Sessions also testified that "The production of ice is primarily done in Korea and in Taiwan." According to law enforcement sources, Taiwan currently appears to be the dominant pro-

<sup>49</sup> Testimony of FBI Director William Sessions, before PSI, October 3, 1991.

duction site. Ice production only recently became illegal in Taiwan, and while many laboratories have reportedly been driven underground, Taiwan remains a major source country. The Philippines have also been identified as a production site for the ice brought into the United States.

#### COCAINE

Asian organized crime groups have demonstrated only a limited involvement in cocaine trafficking. However, Japanese, Chinese, and Vietnamese gangs have to some extent been linked to cocaine operations.

A confidential witness, a Boryokudan associate, testified that "Boryokudan ties in South America exist for the purpose of obtaining cocaine, which currently forms a small part of the Boryokudan drug business."<sup>50</sup> Japanese police have recently expressed concern over growing evidence that Boryokudan figures are teaming up with South American drug lords to carry out large scale cocaine distribution in Japan.<sup>51</sup>

Chinese and Vietnamese groups have also involved themselves in cocaine smuggling. The Subcommittee heard evidence that the Wah Ching Gang in California has historically been involved in cocaine trafficking.<sup>52</sup> Additionally, convicted heroin trafficker Johnny Kon testified that he used "Bolivian connections" and "tried to get into cocaine smuggling."<sup>53</sup> Kon, who is a Wo On Lok Triad member and a former leader of the Big Circle Gang (Flaming Eagles group) told the Subcommittee that his smuggling efforts were unsuccessful due to theft and law enforcement interceptions.

There is also evidence that ethnic Chinese aliens being illegally smuggled into the United States are sometimes offered a reduction in the fees charged them if they are willing to transport cocaine into the United States.<sup>54</sup>

#### GAMBLING OPERATIONS

Illegal gambling has long been a core criminal activity of Asian criminal groups. In the United States, illegal gambling operations are a major revenue source for Chinese crime groups. The same is true for Chinese crime groups in other countries, including the triads, who control illegal gambling in Hong Kong.<sup>55</sup>

At the Subcommittee's October 3, 1991 hearing, former Ghost Shadow and On Leong Tong member Kenneth Chu explained how illegal gambling enterprises cement the relationship between criminally-influenced tongs in the United States and street gangs. The street gangs, Chu explained, provide protection for the tong's illegal gambling operations and in turn the tong provides the gang members with money as well as other services, including lawyers when necessary. After Chu shot a rival gang member, for example, he

<sup>50</sup> Testimony of "Bully," before PSI, August 4, 1992.

<sup>51</sup> Reuters, "Drug Abuse Growing Problem in Japan, Police Say," August 2, 1991.

<sup>52</sup> Deposition of "Mr. Tam," November 6, 1991.

<sup>53</sup> Testimony of Johnny Kon before PSI, August 4, 1992.

<sup>54</sup> Affidavit of Lai Ka-Luk, May 3, 1992. Exhibit 18, Record of Hearing of PSI on *Asian Organized Crime*, June 18 and August 4, 1992.

<sup>55</sup> These illegal gambling operations typically consist of Asian games such as Pai Gow, Mah Jong, Fan Tan and other games. Some of these games are now being offered at legal gambling casinos in Nevada and New Jersey and in legal card clubs in California.

was moved from New York to an On Leong facility in Boston in order to avoid the police.

Chu further testified that the On Leong maintained illegal gambling operations around the country. Chu himself worked in the On Leong's Houston gambling operation for 15 years. He asserted that the On Leong's gambling operations all "report to the National grand president and the National headquarters, and some of the proceeds are sent to the National headquarters from these illegal operations."

In August 1990, the National, Chicago, Houston, and New York On Leong Merchants Associations and 29 members or associates of the tong were indicted in Chicago on charges related to illegal gambling (U.S. v. National On Leong Chinese Merchants Association, et al, 90 CR 0760, N.D. ILL 1990). The national and local chapters of the tong, along with 13 individual defendants, faced RICO charges stemming from a pattern of racketeering that included illegal gambling and collection of unlawful debts. Some convictions were obtained on income tax charges, but the jury was deadlocked on the RICO counts. A retrial is planned.

The Subcommittee also heard evidence of the control by ethnic Chinese gangsters over widespread illegal gambling on the West Coast. On November 6, 1991, confidential witness "Mr. Tam" testified that "There are 50 to 60 Mah Jong parlors alone in [San Francisco's] Chinatown. An operator must seek permission and 'give face,' that is, a percentage, to Peter Chong. Peter may make as much as 90 percent of the profits, with the operator getting only about 10 percent." As previously discussed, Peter Chong is the leader of the Wo Hop To Triad in San Francisco.

According to one law enforcement witness, Los Angeles County is also the site of widespread illegal gambling. Detective William Howell of the Los Angeles County Sheriff's Office testified on November 5, 1991 that "there are currently believed to be 150 to 200 illegal underground gambling parlors operating in Los Angeles County. Many of these underground gambling parlors are under the control of Asian organized crime groups."

Besides serving as a large and dependable source of revenue, illegal gambling is important to Asian organized crime groups for several other reasons. First, it allows gangs to launder their money. Second, gambling activity provides potential victims of loan-sharking, residential robbery and follow-home robbery. Finally, gambling debtors are sometimes recruited as "mules" to carry heroin from Southeast Asia to the United States or for other criminal tasks.

Asian gangs also take advantage of legal gambling venues to further their criminal activities. Legal casinos operating in Nevada and Atlantic City, as well as legal card clubs in California, have, in recent years, made special efforts to attract Asian customers. Many of the large casinos are now offering Sic Bo, Pai Gow and other Asian games. The marketing efforts of the various casinos have attracted not only the legitimate gambler, but some Asian organized crime figures as well. Numerous Asian organized crime figures, including some from Hong Kong and Japan, patronize American casinos. They are usually known as "high rollers" who gamble

for high stakes. They are suspected of laundering money through the casinos.

Efforts have been made by Asian organized crime members to become involved in legal gambling operations by means of purchasing ownership interests, subcontracting to operate Asian games or other services, and by providing Asian entertainment.

Clifford Wong, the President of the Tung On Tong in New York City, and an associate of the Hong Kong-based Sun Yee On Triad, ran bus junkets to Atlantic City in the 1980's, until his junket license was revoked by the New Jersey Casino Control Commission in 1989 because of his organized crime ties. Wong previously promoted Asian entertainment in Atlantic City, a business in which the Sun Yee On has played a dominant role.

Individuals associated with the Japanese Boryokudan have actively pursued ownership interests in legal U.S. casinos and casino vendor businesses. The first documented attempt by a Boryokudan associate to invest in the casino industry took place in 1978. At that time, Takashi Sasakawa, the son of Boryokudan associate Ryoichi Sasakawa, announced plans to lease the Shelburne Hotel in Atlantic City and convert it to a casino. His attempt was not successful, due to scrutiny by law enforcement and his failure to get financial support in the wake of allegations of Boryokudan ties.<sup>56</sup>

In 1982, Ken Mizuno, an associate of the Toa Yuai Jigyo Kumiai Boryokudan syndicate, opened a restaurant in Las Vegas' Tropicana Hotel. He later opened a spa in the casino and has operated the businesses for nearly a decade. Mizuno was arrested in February 1992 in Japan for alleged tax evasion and fraud.

In 1986, Ginji Yasuda purchased the Alladin Hotel and Casino in Las Vegas. Following the purchase, \$6.6 million was lent to Yasuda by Aichi Corp., a Japanese finance company run by Yasumichi Morishita, a Boryokudan associate who has allegedly used members of the Sumiyoshi-Kai Boryokudan group to collect debts.<sup>57</sup> Yasuda was the first foreign citizen to obtain a casino license in Las Vegas. He died in 1989, shortly after putting the casino into Chapter 11 bankruptcy protection.

Other Japanese organized crime associates have followed Ginji Yasuda into Las Vegas, including Minoru Isutani. Isutani has been associated with the Boryokudan by numerous sources, including a Boryokudan associate who testified before the Subcommittee on August 4, 1992. Isutani's investments, which are discussed in greater detail below, include the purchase of the Barcelona Hotel in Las Vegas. Isutani applied for a casino license for the property in 1988, but withdrew his application in 1991, prior to the completion of the Nevada Gaming Control Board's background investigation.

Subsequently, Isutani's Cosmo World of Nevada Co., filed for bankruptcy in December 1991. The company had been undertaking a \$600 million resort project near Las Vegas.

Finally, Boryokudan interest in casino investments was recently uncovered in the fledgling gaming industry in Tinian, in the North-

<sup>56</sup> Kaplan and Dubro, *op. cit.*, p. 260.

<sup>57</sup> Honolulu Advertiser, "Yakuza Link Seen in \$6 million loan to Yasuda," August 21, 1989, p. A-1.

ern Marianas Islands. In 1991, ASA Development and Investment Corp., a Tokyo company, was identified by casino regulators as a front for a Yamaguchi-Gumi Gang effort to purchase a casino on Tinian.<sup>58</sup>

While Nevada and New Jersey gaming authorities have been diligent in efforts to prevent Asian organized crime members from gaining a foothold in legal gambling operations, California has over 300 legal card clubs which are subject to little regulation, and as a result, appear to have become centers of Asian organized crime activity.

Card clubs in both Northern and Southern California have been exploited by Asian crime groups. In the mid-1980's, Alfred Chu, also known as Chu Kong-Yin, was the manager of the Key Club, a cardroom in Emeryville, which is adjacent to Oakland. Chu has been identified as the former leader of the San Francisco-based Wo Hop To Triad.<sup>59</sup> Chu is currently serving a 5-year sentence for false immigration statements.

In March 1991 arrests were made in connection with a bribery scheme masterminded by Fung Kao, who has ties to at least two Hong Kong triads. Fung's son and daughter-in-law attempted to obtain a gaming permit for the King Midas cardroom in Emeryville through bribery. Fung Kao had reportedly purchased the club in 1989.<sup>60</sup>

In April 1992, San Francisco Bay Area authorities conducted raids on the King Midas cardroom. The raids followed an investigation into a Taiwanese kidnapping syndicate, which found ties between Taiwanese gang members and the King Midas Club, including alleged part-ownership.<sup>61</sup>

In Southern California, many cardrooms employ Asian gang members who have been tied to money laundering and loansharking. The largest card club in California is the Bicycle Club, located in Bell Gardens. The Bicycle Club's Asian games are run by Hollman Cheung, who contracts with club ownership. Hollman Cheung is allegedly associated with members of the Wah Ching Gang and the Wo Hop To Triad, and has hired various gang members as employees at the Bicycle Club.<sup>62</sup>

Robert Koppe, the Assistant Director of the Treasury Department's Financial Crimes Enforcement Network (FinCEN) of the Department of Treasury, testified that "the card clubs offer opportunities for extortion, money laundering, and tax evasion. Law enforcement sources believe that an extensive amount of money laundering and profit skimming takes place in card clubs." A significant amount of the revenue generated by the California card clubs is from Asian games, many of which are played for very high stakes. The card clubs typically subcontract the Asian games to a so-called "consultant." According to the testimony of Detective Howell of the

<sup>58</sup> Written testimony of Frederic E. Gushin, submitted to PSI, August 4, 1992.

<sup>59</sup> Chart prepared by PSI, "Wo Hop To Triad," introduced at hearing on November 5, 1991.

<sup>60</sup> United Press International, "Woman Arrested in Card Club Bribery Investigation," March 15, 1991.

<sup>61</sup> Oakland Tribune, "East Bay Gambling Club Raid; Probe into Asian Gangs," April 23, 1992, p. A-1; See also Affidavit of Steven N. Sakata, California Department of Justice, in support of application for search warrant, April 22, 1992, Search Warrant No. 10310, City and County of San Francisco.

<sup>62</sup> Wall Street Journal, "California Card Casinos are Suspected as Fronts for Rising Asian Mafia," June 1, 1992, p. 1.

Los Angeles County Sheriff's Office, some of the Asian games contractors "have ties to Asian organized crime. Additionally, gang members are often used by the Asian games contractor as dealers and pit bosses in the casinos." Moreover, he added, "Chinese organized crime groups use legal card clubs to launder substantial amounts of illicit proceeds from gambling, loansharking, extortion, prostitution, and narcotics trafficking."

Detective Howell noted that the lack of an effective State Gaming Commission in California contributes to this problem: "As a result of the lack of regulation, card clubs operating in both Northern and Southern California have come under Asian organized crime influence."

#### EXTORTION

One of the primary activities of ethnic Chinese street gangs in the United States is the systematic extortion of legitimate and illegitimate Chinese-run businesses.<sup>63</sup> This is particularly true in New York City's Chinatown. One academic study of New York Chinatown merchants indicated that more than 80 percent pay monthly extortion to street gangs in order to stay in business.<sup>64</sup>

The Subcommittee heard anonymous testimony from two New York Chinese businessmen about gang extortion techniques.<sup>65</sup> New York Asian street gangs employ numerous techniques to extort businesses. For example, gang members may ask a business owner to "invest" in the gang business or make a contribution to some cause. Gangs are also known to ask for substantial discounts from businesses such as restaurants. During Chinese holidays, gang members often sell festival-related goods to merchants at grossly inflated prices.

But the most typical method of extortion is to demand monthly payments of a specified amount. The amount generally depends on the type of business involved and more importantly, on the profitability of the business. A small business that is not particularly profitable might pay the relatively low amount of \$108 or \$208 per month. As the number "eight" in Cantonese rhymes with the word for prosperity in Cantonese, gangs often ask for amounts ending in that number.

In New York's Chinatown, where extortion is most extensively documented, gangs have tended to extort merchants located on the specific streets controlled by the gang. This practice, however, appears to be breaking down as the gangs become more competitive, and as new gangs, including Vietnamese gangs, become involved in extortion.

#### HOME INVASION ROBBERIES

One of the most frightening of all Asian organized crime activities is the home invasion robbery. In a typical home invasion, gang members enter a home, tie up the inhabitants, and terrorize, torture, beat, and rob them.

<sup>63</sup> Business extortion is also a mainstay of the triads in Hong Kong. Some experts contend that it is the only criminal activity in which triads, as triads, engage.

<sup>64</sup> Ko-lin Chin, Robert Kelly, Jeffrey Fagan, unpublished paper, "Chinese Street Gang Extortion," February 5, 1990.

<sup>65</sup> These witnesses testified under the aliases "Mr. Wong" and "Mr. Chan" on October 3, 1991, because they feared for their safety.

Home invasions are typically committed by street gang members who target a particular home after intelligence has been gathered about the residents. Home invasion gangs are sometimes ad hoc groups whose members are from outside the area where the robbery is perpetrated. Home invasion gangs are highly mobile, often entering a city to commit one or more home invasions, then traveling to another part of the country to commit more invasions or to "cool off."

Preventing and prosecuting home invasions are difficult tasks. Many home invasions go unreported because of intimidation of victims and because of distrust of law enforcement among the Asian community.

One innovative response to home invasions involves a San Jose, California Police Department sting operation. The sting operation employed an informant who put out the word that he was interested in participating in home invasions. Those who volunteered to participate were then invited to an apartment equipped with video cameras where the proposed robberies were planned in detail. The police arrested the participants as they drove to the site of the proposed home invasions. The sting operation resulted in multiple arrests and a subsequent reduction in reported home invasion robberies, at least for a time.

#### PROSTITUTION

Most Asian organized crime groups, both in the Far East and in the United States, are involved in prostitution. Triad societies largely control prostitution in Hong Kong; and triad, tong and street gang members are also involved in prostitution operations in the United States two triad members who testified before the Subcommittee noted their involvement in prostitution in the early days of their criminal careers. "Mr. Ma" told the Subcommittee on June 18, 1992 that he "opened a 'call girl center' after obtaining the approval of my 14K triad group." His prostitution business preceded his involvement in more sophisticated heroin smuggling operations. Johnny Kon, a Wo On Lok Triad member and a leader of a group of Big Circle Gang members known as the Flaming Eagles Gang, testified that he "began helping young Big Circle leaders to set up illegal businesses of their own in Hong Kong. I financed their operations, which included prostitution. . . ." Kon's financing of prostitution operations also preceded his entry into the heroin business.

In New York, Subcommittee staff learned of a typical massage parlor employing ethnic Korean prostitutes. These women are frequently legal U.S. residents or citizens because of previously arranged marriages to U.S. servicemen in Korea for which the servicemen are paid a fee. Once in the United States, the women typically divorce and begin work in a massage parlor as arranged by the prostitution organization that assisted in arranging their bogus marriages. The women often become virtually indentured servants until their debts to the organization are satisfied. Taiwanese, Malaysian, and other Asian women are also imported to work as prostitutes. Most of these prostitution operations are controlled by ethnic Chinese crime groups and/or protected by Chinese and Vietnamese street gangs.



Japanese organized crime has also been linked to the "sex trade" in the United States, including prostitution and child pornography in Guam. A Boryokudan associate testified before the Subcommittee that the Boryokudan are also active in the recruitment of American women into prostitution in Japan.<sup>66</sup>

#### ALIEN SMUGGLING

Chinese alien smuggling rings have been increasingly active in recent years. There is evidence that organized Asian criminal groups, attracted by the high profits (smugglers charge up to \$30,000 per person) and low risks (penalties, even if smugglers are caught, are low), are becoming more heavily involved in alien smuggling operations.

A study completed in April of 1992 attempts to quantify this problem.<sup>67</sup> The study compiled information from interviews of 1,453 Chinese aliens who have been smuggled to the United States and includes information on a total of 108,975 such aliens who were smuggled between 1983 and 1992. Based on current arrival rates, the study projects that smuggling entities are collecting more than \$250 million per month, which could potentially generate more than \$3 billion per year. Whatever the accuracy of these projections, Chinese alien smuggling organizations have clearly been able to generate enormous profits from their operations.

Every smuggling group the Subcommittee examined involved Asian organized crime figures. For example, one alien smuggler (or "Snakehead" as Asian alien smugglers are called) told us that his smuggling operation, which brought natives of Fukian Province in Mainland China to New York City, was run from Hong Kong by a 14K triad member.<sup>68</sup>

The largest current source of illegal Asian immigrants is the rural and relatively poor Fujian Province of the Peoples Republic of China. Aliens typically travel from Fujian Province to Bangkok by air or overland. Once in Bangkok, they receive fraudulent identification papers and are then flown to a third country before entering the United States by land, sea, or air. Several popular smuggling routes run through South and Central America, because visas for Bolivia, Belize, and Panama are readily purchased by the smugglers. One route took a Fujian native through Beijing to Bolivia to Miami and then to New York.

Usually the aliens being smuggled do not pay the entire charge before departure. As one INS agent stated, "If you have \$30,000 and live in Fujian Province, there is no reason to leave because you are one of the richest people there." In such cases, the alien, or his relatives, become indebted to the smuggling organization. When an alien is unable to pay, New York street gangs are sometimes hired to threaten or even kidnap the individual and hold him to ensure payment.<sup>69</sup> There are also reports of recently smuggled aliens

<sup>66</sup> Testimony of confidential witness "Bully" before PSI, August 4, 1992.

<sup>67</sup> Willard H. Myers III, "The United States Under Siege, Assault on the Borders, Chinese Smuggling, 1983-1992," April 4, 1992.

<sup>68</sup> Affidavit of "Mr. Lee," Exhibit 47, Record of Hearing of PSI on *Asian Organized Crime*, October 3-November 6, 1991, S. Hrg. 102-346.

<sup>69</sup> Testimony of Lt. Joseph Pollini, New York Police Department before PSI, November 6, 1991.

being used as drug couriers and being forced into prostitution to pay their debts.

Since May of 1992, at least six boats holding about 100 undocumented Chinese aliens have been intercepted by Immigration authorities in American waters. Points of arrival have included Hawaii, North Carolina, California, and Massachusetts. Undoubtedly, many more such boats are not being intercepted. When smuggled aliens are apprehended, they cannot generally be detained for extended periods of time. This is a significant problem in trying to stop the influx of illegal aliens being smuggled into the United States. Key ports of entry are typically overwhelmed with illegal entrants for which there is not adequate detention space. Such aliens must then be released on parole, and often do not appear for scheduled hearings.

#### MONEY LAUNDERING

At the Subcommittee's June 18, 1992 hearing, the Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury reported that Asian organized crime groups were engaged in a variety of large-scale money laundering operations. Like other organized crime groups, Asian groups are necessarily involved in laundering the proceeds from their illegal operations.

On August 4, 1992, Johnny Kon, also known as Kon Yu-Leung, testified before the Subcommittee. Mr. Kon is a former leader of the Flaming Eagles Gang, a distinct group of Big Circle Gang members. Kon is also a member of the Wo On Lok Triad, and is currently serving a 27-year sentence in the United States for heroin trafficking. Kon successfully imported over 1,000 pounds of heroin into the United States before he was arrested. Kon testified that "My multi-million dollar heroin proceeds were invested around the world, including investments in New York and San Francisco. . . . My share of profits from heroin smuggling totalled over \$10 million. Much of this was invested in the United States." Mr. Kon laundered the proceeds of his U.S. heroin sales by purchasing real estate, and by having associates carry heroin money back to Hong Kong.

FinCEN representatives testified that Hong Kong was being used as a laundering site for much of the illicit proceeds generated by Chinese organized crime groups. Besides serving as headquarters for most criminal triad groups, Hong Kong also serves as an important and highly sophisticated international banking center. Moreover, Hong Kong has no currency exchange controls and no currency transaction reporting requirements, making it an attractive center for both legitimate and illegitimate financial activities.

In 1991 the amount of inbound currency from Hong Kong to the United States, according to CMIR filings, increased 540 percent to over \$3.8 billion. Outbound currency to Hong Kong from the United States, on the other hand, was approximately \$1.2 billion, creating an imbalance of \$2.6 billion. Hong Kong is the second largest repatriator of U.S. currency. While no one knows how much of this huge surplus of U.S. currency is generated by criminal enterprises, it is believed to be a significant percentage.

Law enforcement in this country has made little progress in attacking money laundering among Asian organized crime groups.

FinCEN found in its study that the law enforcement community had only limited information regarding money laundering among Asian crime groups.

One recent successful Federal prosecution in Boston, however, involved a high-level tong member in Boston's Chinatown. The lead defendant, Harry Mook (also known as Goon Chun Yee), was the past president of the Hung Mun (Chinese Freemasons Association). The defendants wired money, with the help of a bank insider, and physically smuggled money from Boston to Hong Kong. The source of the money is believed to have been narcotics proceeds generated in New York. Mook also pled guilty in the same case to a charge that he paid bribes to several Boston police officers to ensure protection for several illegal gambling operations.

#### MONEY LAUNDERING EFFORTS BY JAPANESE ORGANIZED CRIME

Despite the fact that Japanese organized crime groups are believed to have invested hundreds of millions of dollars of profits from their criminal enterprises in U.S. real estate during the past decade, U.S. law enforcement authorities have had almost no success in dealing with this problem. The reasons are twofold: First, U.S. officials face almost insurmountable difficulties in tracing the source of Japanese funds used to purchase U.S. properties; second, even if such information is obtained, loopholes in current U.S. law on money laundering make successful prosecution unlikely.

Additionally, Japanese police authorities are reluctant to supply information about members of Japanese organized crime to American authorities, apparently in part out of fear of civil liability under Japanese law. At least two instances have been reported to the Subcommittee where Boryokudan members or associates have sued the Japanese National Police for releasing information to United States officials.

The Subcommittee heard substantial evidence of money laundering by Japanese crime groups on August 4, 1992. Confidential witness "Mr. Bully," an associate of several major Boryokudan groups, tied the Boryokudan to numerous purchases of United States properties. He first noted that, "I myself have knowledge of at least five major properties in Hawaii which were bought with money generated illegally by the Boryokudan, and I know that personally. From my own experience, my educated estimate is that there are probably closer to 50 major properties in Hawaii which have been purchased. These properties include resort hotels and golf courses. All such properties are fronts for Boryokudan money laundering."

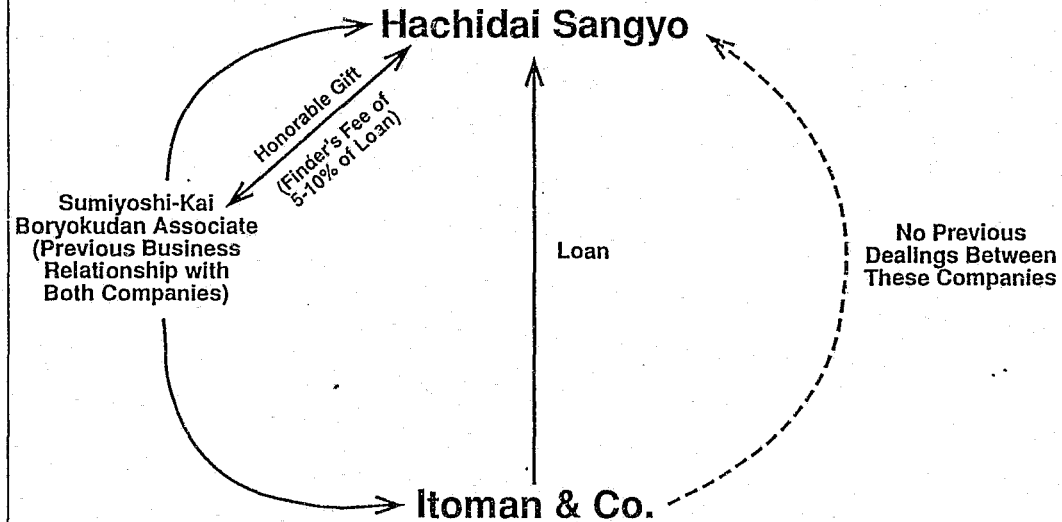
In his testimony, "Mr. Bully" gave a detailed description of the methods by which Boryokudan groups launder money in the United States:

"Japanese holding companies capitalize the U.S. companies, which then provide the vehicle for further investment. The companies attempt to evade U.S. taxes by filing false documents and false reports with the IRS, until the authorities catch on. As soon as the IRS gets suspicious, the Boryokudan will fold up the front company and send the money, which has been laundered, back to Japan."

Asked by Senator Roth to provide specific examples of U.S. properties bought with Boryokudan money, the witness described the following chart:

[Japanese Boryokudan Link to Hawaiian Real Estate Purchases of Hachidai Sangyo Corporation chart follows:]

# Japanese Boryokudan Link to Hawaiian Real Estate Purchases of Hachidai Sangyo Corporation



According to the testimony, Hachidai Sangyo Corporation "is a development company in the real estate area, and they, in fact, got financing from Itoman and they purchased undeveloped real estate on the east side of Oahu. . . . If you look at this chart, you can see that the Hachidai Sangyo Corporation here does not have any direct relationship with Itoman & Company. Therefore, to receive the loan from Itoman, they at Hachidai Sangyo talked to an influential person at Itoman, to have him help for the loan. And as is written on the chart, they would then give the gift to the Boryokudan associate (for introducing Hachidai Sangyo representatives to the Itoman & Company representative) and therefore, they (an associate of the Sumiyoshi-kai Boryokudan group) would receive a finder's fee of 5 to 10 percent of the loan."

"Mr. Bully" provided a further example, detailing the high profile purchase of the Pebble Beach Country Club in Monterey, California, one of America's most famous golf courses. Pebble Beach was bought by Minoru Isutani, through a number of holding companies, including Cosmo World Company, for a reported price of \$841 million in September 1990.

The Pebble Beach purchase was largely financed through loans from Itoman & Company to Minoru Isutani's Cosmo World Company. "Mr. Bully" detailed the Boryokudan link to this financing:

"In Japan, there is a man called Mr. Shigeru Sato. He has associations with members of almost all of the main Yakuza groups, and sometimes serves as an intermediary among these individuals. Sato also uses Yakuza members as bodyguards.

"The Sumitomo Bank wanted to buy a bank . . . which is 35 percent owned by Mr. Sato. He agreed to sell, and therefore, very high-ranking people at Sumitomo felt an obligation to Mr. Sato . . . [who] owed favors to certain Yakuza associates. . . . These people were placed with Itoman which is a subsidiary of Sumitomo. For example, the person in charge of real estate development at Itoman became one of these Yakuza associates. The Boryokudan, therefore, have substantial influence on Itoman, in part, because they were aware of the deeds of Itoman. Itoman loaned to Isutani money, which enabled him to purchase the Pebble Beach Golf Course. . . . Itoman would have the right to sell memberships to Pebble Beach Golf Course in lieu of payment, the principal and interest payments by Isutani."

The Pebble Beach purchase was undermined in 1991 when California regulators denied Cosmo World's request to sell memberships to the course, which is on land under the supervision of the California Coastal Commission. The golf course was sold in February 1992 for \$500 million, 40 percent less than the originally reported purchase price, to a Japanese investor group. Minoru Isutani has also been involved in a number of other U.S. business ventures.

In addition to the Boryokudan link to the Pebble Beach purchase, Isutani has been identified by a high-ranking member of the Inagawa-kai Boryokudan syndicate as having used Boryokudan

connections in his golf business in Japan. The Inagawa-kai member also claimed that Isutani ran gambling rackets when he was younger.<sup>70</sup> Mr. Isutani has been involved in other businesses which fit the so-called "Boryokudan profile," including companies which run bath houses, a popular Boryokudan business in Japan. Moreover, Japanese press reports have linked Mr. Isutani to one of Japan's biggest scandals, known as the "Recruit" scandal. This scandal involved insider trading in the shares of Recruit Co., by several top politicians, Boryokudan members and other prominent figures in Japan.

Three other individuals with alleged Boryokudan ties are known to have invested in the United States. Ken Mizuno, who has been identified by law enforcement as an associate of the Toa Yuai Jigyo Kumiai (TYJK) Boryokudan group, owns an estimated \$400 million worth of assets in the United States, including golf courses in Nevada, California, and Hawaii. He also holds the lease to a restaurant in the Tropicana Hotel/Casino in Las Vegas. In August 1992, the U.S. Customs Service and the IRS seized Mizuno's Indian Wells Hotel, Country Club and Racquet Club, located near Palm Springs, California. This resort has been valued at \$50 million.<sup>71</sup> The seizure was in connection with an ongoing investigation into Mizuno's U.S. investments.

Mizuno was arrested in Japan in February 1992 on charges of corporate tax evasion and fraudulent sale of golf memberships, generating some \$800 million. He allegedly sold 51,000 memberships while advertising that only 2,000 would be sold. The memberships were in Mizuno's Ibaraki Country Club in Japan.

Yasumichi Morishita, also known as "Mamushi" or the "Snake," runs a finance company called Aichi Corporation in Japan. Morishita has used members of the Sumiyoshi-kai Boryokudan syndicate to handle debt collection for his company. Morishita has been identified by law enforcement as an alleged Boryokudan associate who has invested in the United States. Morishita currently owns two golf courses in California and one in Arizona. He also owns a large shareholding in Christie's Auction House in New York, and has bought over \$80 million worth of art at auction for his prominent Tokyo art gallery. His purchases have included works by Van Gogh and Picasso.

In 1988, Asahi Jyuku, a Japanese company run by Kizo Matsumoto purchased \$163.5 million worth of Oahu real estate, including the Turtle Bay Hilton Resort. Kizo Matsumoto founded Asahi Jyuku in 1968, shortly after "resigning" his affiliation with the Yamaguchi-Gumi Gang.<sup>72</sup> Individuals who resign from the Yakuza in Japan often do so to gain an appearance of legitimacy, but maintain connections to their former gang.<sup>73</sup>

Kizo Matsumoto and his brother, Kihachi, were affiliated with the Yamaguchi-Gumi subgroup known as the Shiragami-Gumi. This subgroup has been tied to other activity in the United States

<sup>70</sup> NBC News, "Expose," June 2, 1991.

<sup>71</sup> Washington Post, August 20, 1992, p. B-11.

<sup>72</sup> Honolulu Advertiser, "Resort official former yakuza member," August 23, 1988.

<sup>73</sup> Subsequent to the identification of Matsumoto's Yakuza association, the Matsumoto brothers complained to the Japanese National Police, and several police officers were reportedly disciplined as a result. Japanese criminal intelligence channels reportedly dried up for a short time after this event.

as well. The head of the sub-group, Hideo Shiragami, was assassinated in the U.S. territory of Saipan in 1987.

#### COMPUTER CHIP THEFT

A prime example of the innovative approach of some Asian organized crime groups is their involvement in the theft of computer chips. It has been estimated that computer chip theft is costing American companies millions of dollars each year. Thefts of \$1 million or more have been reported in Oklahoma, Texas, Florida, and California, which has had several multi-million dollar thefts.<sup>74</sup>

Computer chips are especially attractive to Asian crime groups for several reasons. Chip theft is very lucrative and difficult to detect and to prosecute. Computer chips are typically resold for 80 percent of their value as opposed to 20 percent for other stolen items such as jewelry. Computer chips are fungible, do not have registration numbers, and are very difficult to trace. Asian crime groups are uniquely positioned for computer chip theft because many Asians work for computer chip manufacturers and because there are markets for the chips in Southeast Asia. Sergeant Douglas Zwemke of the San Jose Police Department testified that "[I]n San Jose, also known as Silicon Valley, approximately 70 percent of all high-tech theft cases are generated by Vietnamese criminals."<sup>75</sup>

Asian crime groups obtain computer chips in several ways. In some cases, street gangs, often Vietnamese, commit armed robberies of computer chip manufacturers, employing a modus operandi which is disturbingly similar to that of the typical home invasion robbery. In other cases, individuals who have run up gambling debts and who happen to work for companies that manufacture computer chips are recruited to steal chips.

There are at least five major fencing rings for stolen computer chips in Southern California alone. These rings receive, repackage and then sell the chips in the United States and abroad. The stolen chips are sold at computer swap meets or shipped overseas to Taiwan, Thailand, or Hong Kong. Few cases have been successfully prosecuted, although indictments have been handed down in Austin, Texas, and Oklahoma City, Oklahoma.<sup>76</sup>

#### CREDIT CARD COUNTERFEITING

Losses resulting from counterfeit credit card activity have risen dramatically over the past few years. Technological innovations during the mid-1980's managed to stem a previous spurt of counterfeiting, but the criminal sophistication of Chinese criminal groups based in Hong Kong has led to a notable resurgence of credit card counterfeiting in the past few years. Hong Kong-based counterfeiting rings were responsible for as much as 40 percent of the total worldwide counterfeit credit card losses of about \$200 million

<sup>74</sup> Orange County Register, "Two Allegedly Masterminded Chip Thefts," March 14, 1990; and Associated Press, "FBI Probes Similarities in Computer Chip Heists," July 10, 1991.

<sup>75</sup> Testimony of Sergeant Douglas Zwemke, San Jose Police Department before PSI, October 3, 1991.

<sup>76</sup> *US v. Dinh Huu Tran et al.*, Case No. CR 90-28, Western District of Oklahoma, February 6, 1990.



in 1991.<sup>77</sup> While much of the actual counterfeiting is done in such locales as Hong Kong, Thailand, Singapore, and Malaysia, the counterfeit cards are now being used in Europe, Australia, and North America as well.

The threat to the United States is perhaps best illustrated by the impact on our Canadian neighbors, who suffered an estimated \$50 million in losses in 1991. Detective Kenneth Yates of the Metropolitan Toronto Police told the Subcommittee that highly sophisticated syndicates, which consist primarily of Big Circle Boys Gang members, were responsible for a large proportion of the losses experienced by Canadian financial institutions in 1991.<sup>78</sup> Detective Yates also expressed concern about the potential impact on the United States when he noted that "If counterfeit card activity reaches the same proportions as Canada, the United States could see a half-billion-dollar-a-year criminal industry."<sup>79</sup>

Representatives of Visa International asserted that Hong Kong-based credit card counterfeiting was a "major threat to the global credit card payments system . . . a worldwide problem."<sup>80</sup> Visa International representatives described how criminal organizations in Taiwan, Hong Kong, and China procure valid cardholder account numbers and then manufacture, emboss, and encode the cards with compromised valid account numbers.

An interesting twist in the counterfeit credit card problem has been documented in Canada, where Asian gangs have been able to obtain the cooperation of certain merchants through extortion. In this scenario, gangs procure stolen credit card numbers and print the numbers on simple white plastic cards. Merchants are intimidated into agreeing or voluntarily agree to charge a large amount of merchandise on these obviously counterfeit cards. Cooperative merchants avoid violence, while gang members make off with the merchandise and banks are left with the losses. Another significant aspect of this crime is that merchants who participate in this activity, either through coercion or otherwise, become an active part of the conspiracy and are thus less likely to report the crime.

In the United States, the primary responsibility for combating counterfeit credit cards lies with the U.S. Secret Service. Unfortunately, the Secret Service has not made counterfeit credit cards a priority, contending that the use of such cards is not currently a major problem in the United States. That assertion is contradicted, however, by credit card company statistics which show a dramatic increase in U.S. losses to counterfeit credit cards.

[Visa International, Risk Management and Security, Reported Counterfeit Activity by Region of Transaction chart follows:]

<sup>77</sup> Reuters, "Fake Credit Card Industry Flourishes in Hong Kong," by Kathy Chen, March 15, 1992.

<sup>78</sup> Testimony of Detective Kenneth Yates, Metropolitan Toronto Police Department, before PSI, June 18, 1992.

<sup>79</sup> Toronto Star, "Ruthless Asian gangs reported on rise in U.S.," June 19, 1992, Page A24.

<sup>80</sup> Testimony of Donn Sickles, Visa International, before PSI, June 18, 1992.

**VISA INTERNATIONAL**  
**Risk Management and Security**  
**Reported Counterfeit Activity by Region of Transaction**

**Distribution of Country/State of Transaction (US\$ Thousands)**

Region: USA Region

**FOUR QUARTERS ENDED (Counterfeit Only)**

Country/State	31 DECEMBER 1991		31 DECEMBER 1990		Change In Reported Fraud	Growth Rate
	Reported	% of Region	Reported	% of Region		
CALIFORNIA	\$8,106	42.63%	\$2,417	34.99%	\$5,689	235.4%
NEW YORK	\$2,717	14.29%	\$1,483	21.47%	\$1,235	83.3%
FLORIDA	\$748	3.94%	\$686	9.93%	\$63	9.1%
NEW JERSEY	\$492	2.59%	\$263	3.81%	\$229	87.2%
TEXAS	\$373	1.96%	\$152	2.20%	\$221	145.4%
WASHINGTON	\$355	1.87%	\$78	1.13%	\$277	358.1%
GEORGIA	\$333	1.75%	\$44	0.64%	\$288	648.1%
NEVADA	\$304	1.60%	\$181	2.61%	\$123	68.2%
PENNSYLVANIA	\$303	1.60%	\$73	1.06%	\$230	316.0%
ILLINOIS	\$286	1.50%	\$194	2.81%	\$92	47.6%
<b>REGION TOTAL</b>	<b>\$19,015</b>	<b>100.00%</b>	<b>\$6,906</b>	<b>100.00%</b>	<b>\$12,109</b>	<b>175.3%</b>

Confirmed Fraud Volume as of 4/22/92.

As the chart demonstrates, Visa International's losses from counterfeiting virtually tripled in 1991. Visa has also reported that such losses reached a 7-year high in the first quarter of 1992.<sup>81</sup>

One notable recent case involved the April 1992 arrests of 19 people in Hong Kong, as well as the arrest of two residents of Falls Church, Virginia. One of the individuals in Falls Church was identified as a member of both the 14K Triad and the On Leong Tong in Washington, D.C.<sup>82</sup> This syndicate was allegedly responsible for over \$2.3 million in credit card fraud worldwide. This is not the only recent counterfeit case in which triad members have been involved. In February 1992, Thai Police arrested four 14K Triad members in Bangkok with counterfeit credit cards and passports.

Ethnic Chinese crime groups have also been linked to counterfeit credit cards in Phoenix, Seattle, and Guam,<sup>83</sup> as well as New York and Los Angeles.<sup>84</sup> It is not yet clear that U.S. law enforcement is properly focused on this growing problem.

#### CONTROL OF ASIAN ENTERTAINMENT

Most of the Asian entertainment industry, based in Hong Kong is controlled by triads. This triad control was the subject of a public demonstration and protest on January 15, 1992 in Hong Kong during which prominent actors, actresses, singers and producers complained about the involvement of triad societies in the industry.<sup>85</sup> Protesters cited instances of extortion and violence perpetrated by triad members in Hong Kong.

Triad societies, particularly the Sun Yee On Triad, exercise great influence in the entertainment industry. This influence extends to North America, where numerous organized crime figures are involved in organizing North American tours of Asian entertainers from the Far East. This influence is currently seen, according to the testimony of Toronto Detective Kenneth Yates, in "a monopoly on the control of entertainers from Hong Kong."

A chart introduced at the Subcommittee's hearing on August 4, 1992 graphically illustrated Asian organized crime influence and connection in the North American market for Asian entertainment. Twenty-one of the 36 names included on the chart have been identified as Asian organized crime figures. Fifteen other names are noted as participants in the Asian entertainment industry who are not known to be involved in organized crime, but who have some connection to the organized crime figures listed on the chart. A document detailing the connections listed on the chart can be found in the hearing record.<sup>86</sup>

[Asian Organized Crime Influence in the Asian Entertainment Industry chart follows:]

<sup>81</sup> Worldwide Visa Card Counterfeit Losses by Region, chart prepared by Visa International, Exhibit 10, Record of Hearing of PSI on *Asian Organized Crime*, June 18 and August 4, 1992.

<sup>82</sup> Press Release, U.S. Secret Service, April 24, 1992.

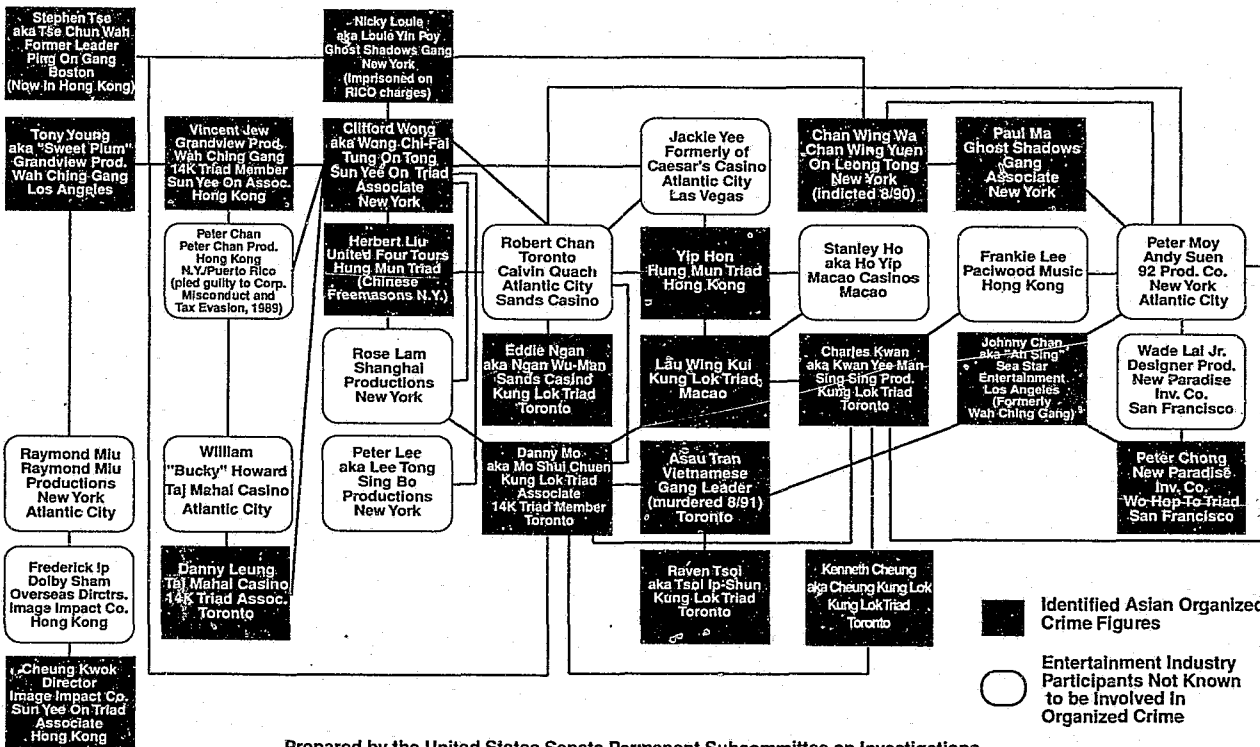
<sup>83</sup> Testimony of Donn Sickles, Visa International, before PSI, June 18, 1992.

<sup>84</sup> Testimony of Detective Kenneth Yates, Metropolitan Toronto Police Department, June 18, 1992, p. 20.

<sup>85</sup> South China Morning Post, "Hitting Out at Tactics of Triads," January 16, 1992.

<sup>86</sup> Exhibit 65, Record of PSI Hearing on *Asian Organized Crime*, June 18 and August 4, 1992.

# Asian Organized Crime Influence in the Asian Entertainment Industry



Prepared by the United States Senate Permanent Subcommittee on Investigations

The evidence is clear that numerous Asian organized crime figures either currently have, or formerly had, substantial influence in the Asian entertainment industry. Most notable are Clifford Wong, the head of the Tung On Tong in New York City, and an associate of the Sun Yee On Triad; Vincent Jew, the former leader of the San Francisco Wah Ching Gang, who has ties to both the Sun Yee On and 14K triads in Hong Kong; Danny Mo, a Toronto resident who has ties to both the Kung Lok and 14K triads; and Peter Chong, the head of the Wo Hop To Triad in San Francisco. Members and associates of the criminally-influenced On Leong Tong in New York's Chinatown are also active in the Asian entertainment industry. All of these individuals have played a role in promoting tours of Asian entertainers who have come to North America from Hong Kong.

Recent tours have included performances in Atlantic City, San Francisco, Los Angeles, Chicago, Boston, Toronto, Montreal, Calgary, and Vancouver. Such tours are supposedly controlled by New York producers who often have contracts with Atlantic City casinos, which are important venues for Asian performances. The reality is, however, that ethnic Chinese gangsters from New York, San Francisco, Los Angeles, Toronto, and Hong Kong play major roles in arranging and promoting such performances.

The prominence of Asian crime groups in the entertainment industry is troubling for several reasons. First, companies set up by gangsters to promote and produce Asian entertainment shows provide vehicles for money laundering. Second, promotion of Asian entertainment is a way for local gang bosses to "gain face" and legitimacy in North American Asian communities.<sup>87</sup> Finally, other criminal activity has been tied to Asian concert tours, including violence at the shows and extortion of potential ticket buyers.

#### CHALLENGE TO LAW ENFORCEMENT

Asian organized crime poses a profound challenge to law enforcement in the United States and worldwide. That challenge is not currently being met. In the United States, there has been a failure to make Asian organized crime the law enforcement priority it deserves to be, and there has also been a failure to recruit and hire sufficient personnel fluent in Asian languages and knowledgeable about Asian culture.

Internationally, there is a need for much greater cooperation among law enforcement agencies and development of streamlined methods for exchanging evidence and information. The Justice Department ranks Asian organized crime as a No. 1 organized crime priority in only one city—San Francisco,<sup>88</sup> and prosecution of Asian organized crime is uneven at best. While one U.S. Attorney's office, the Eastern District of New York, has filed a large number of cases against Asian organized crime figures, most other U.S. Attorneys have filed few such cases, even those with large Asian populations and substantial Asian organized crime activity.

<sup>87</sup> Deposition of confidential witness "Mr. Tam," November 6, 1991, p. 6.

<sup>88</sup> Testimony of Robert Mueller, U.S. Assistant Attorney General, before PSI, November 6, 1991.

U.S. law enforcement agencies suffer from a shortage in officers and support personnel fluent in Asian languages and knowledgeable about Asian culture. In the New York City area, for example, despite the fact that there has been a massive influx in recent years of ethnic Chinese who speak the Fukienese dialect, there is currently only one law enforcement officer—Federal, State or local—who speaks the dialect. The Federal Bureau of Investigation has only 7 agents with sufficient fluency in Japanese to monitor a wiretap and less than 35 agents with similar fluency in any Chinese dialect. The Drug Enforcement Administration has no agents fluent in Japanese, and has less than 20 agents with adequate fluency in Chinese to monitor a wiretap. A major Asian organized crime indictment in a northeastern city has been delayed for more than a year solely because of the inability of law enforcement agencies to translate the wire intercepts involved in the case.

The problem of law enforcement's inability to adequately address Asian organized crime is compounded in the face of technically sophisticated crimes such as money laundering. The Financial Crimes Enforcement Network (FinCEN) found in its study of Asian organized crime that, due to such factors as linguistic and cultural barriers, U.S. law enforcement had little knowledge of money laundering methodology employed by Asian organized crime groups.

The absence of adequate international law enforcement cooperation is also a major impediment to the fight against Asian organized crime. The level and extent of cooperation between U.S. law enforcement and foreign law enforcement varies substantially from country to country. It is, therefore, necessary to describe each country separately.

#### HONG KONG

Law enforcement cooperation between the United States and Hong Kong is generally thought to be good, yet not without problems. These problems could increase as Hong Kong prepares to be taken over by the People's Republic of China (PRC) in 1997. A growing concern is that Hong Kong officials will cooperate less as 1997 approaches so as not to appear overly friendly with western law enforcement and invite the animosity of their future Mainland Chinese superiors.

Theoretically, 1997 will not affect Hong Kong law enforcement. Under the "one country—two systems" arrangement called for by a series of Sino-British agreements, Hong Kong law enforcement will remain separate from law enforcement in the PRC. In addition, an independent judiciary is to remain in place in Hong Kong. Many top Hong Kong officials will, however, be replaced with PRC officials. Voluntary departures of both high and low level Hong Kong law enforcement personnel are also expected.

While current working relations between U.S. and Hong Kong law enforcement are good, cooperation appears to take place primarily on a case-by-case basis. For example, while Hong Kong authorities may provide information about individual triad members upon request by U.S. law enforcement, they will not supply U.S. law enforcement agencies with a general list of Hong Kong triad members.

the United States has a heavily utilized extradition treaty with Hong Kong through Great Britain that will expire in 1997. The Justice Department is currently negotiating a post-1997 treaty with Hong Kong that will adhere to the "one country—two systems" concept. The treaty will allow for continued extradition between the United States and Hong Kong but will not involve the PRC as a whole. The United States has no extradition treaty with the PRC and no current plans to negotiate one.

#### TAIWAN

Law enforcement cooperation between the United States and Taiwan is a problem on several fronts. Taiwan has effectively become a haven for the new international criminal of Chinese descent since there is no extradition agreement between Taiwan and the United States or between Taiwan and any other Asian country. In addition, Taiwanese law enforcement officials are generally unwilling to share information and evidence with foreign law enforcement agencies. Moreover, Taiwanese law enforcement has been unwilling to share intelligence information about the structure, activities, and membership of triad organizations in Taiwan.

Taiwan's status as a haven for fugitives of Chinese descent is well documented. Two convicted heroin smugglers testified before the Subcommittee that they sought temporary haven in Taiwan when the Hong Kong police began investigating their heroin operations since they were aware that Taiwan had no extradition agreement with Great Britain or Hong Kong.<sup>89</sup> Former Ghost Shadow and On Leong Tong member "Kenneth Chu" testified at the Subcommittee's October 3, 1991, hearing that the On Leong Tong once held its annual convention in Taiwan so that its former grand president, who was wanted in the United States, could attend.

Subcommittee staff presented Taiwanese law enforcement with a list of 14 criminal fugitives wanted in the United States who are believed to be residing in Taiwan. The Taiwanese responded with regard to five individuals on the list, confirming that three of the individuals are, in fact, in Taiwan.

The lack of an extradition agreement with Taiwan also affects Taiwan's efforts to enforce its own laws. Taiwanese officials presented the Subcommittee with a list of 87 Taiwanese citizens who faced criminal charges in Taiwan but were believed to have fled to the United States. Although most of these fugitives are charged with economic crimes such as embezzlement, some are sought for violent crimes.<sup>90</sup>

Contributing factors to the current lack of cooperation may in part be attributable to the fact that the United States does not recognize Taiwan diplomatically and does not have any law enforcement representatives stationed in Taiwan.

<sup>89</sup> Testimony of Johnny Kon, August 4, 1992 and confidential witness "Mr. Ma" June 18, 1992, before PSI.

<sup>90</sup> At the Subcommittee's November 5, 1992, hearing Detective Howell of the Los Angeles Sheriff's office explained the difficulties in returning a fugitive wanted in Taiwan for murdering an entire family. Howell had to obtain the fugitives voluntary agreement by repeatedly arresting him for minor violations.

## THE PEOPLES REPUBLIC OF CHINA

Law enforcement cooperation between the United States and the Peoples Republic of China is currently at a low point due to the so-called "goldfish case." U.S.-P.R.C. cooperation—primarily in the narcotics area—was steadily improving until the time of this case. The goldfish case involved a cooperative effort between the PRC and U.S. law enforcement in which heroin stuffed inside goldfish shipped to the United States from China was successfully intercepted. Suspects were arrested both in the United States and the PRC. The PRC then agreed to send one of their defendants to the United States to be a witness in the U.S. Government's case involving the seized heroin. The agreement to send this witness to the United States was considered a high point in U.S. and Chinese law enforcement cooperation. The high point became the low point when the witness claimed political asylum, and the United States was unable to return the witness to China under the provisions of U.S. immigration law.<sup>91</sup>

The current chill in law enforcement cooperation between the PRC and the United States is alarming due to the increased narcotics activity within the PRC, as well as the PRC's impending takeover of Hong Kong. The DEA currently has no presence in the PRC, and the United States has no extradition treaty with the PRC.

## OTHER ASIAN COUNTRIES

Absence of diplomatic relations with Vietnam is a major concern to U.S. law enforcement due to the activity of ethnic Vietnamese gangs. Although U.S. policy has allowed Vietnamese aliens to immigrate to the United States, many as unaccompanied minors, there is currently no way to deport or extradite Vietnamese illegal or criminal aliens due to the lack of U.S. relations with Vietnam.

Since the Vietnam war ended in 1975, Congress has enacted legislation<sup>92</sup> that in recent years has allowed as many as 48,000 Vietnamese to immigrate to the United States. The vast majority of those immigrating from Vietnam to the United States are screened by the Immigration and Naturalization Service within Vietnam with the cooperation of the Vietnamese government. However, little or no effort is made to screen these immigrants for criminal backgrounds.

Law enforcement cooperation between the United States and the major Southeast Asian heroin cultivating and producing countries is equally important due to the prevalence of heroin trafficking among Asian organized crime groups. Of the three major cultivating and producing countries—Burma, Laos, and Thailand—the United States has what are generally considered good law enforcement relations with Thailand only. Law enforcement cooperation with Burma, which is credited with 60 percent of the world heroin production, is virtually non-existent.

<sup>91</sup> Testimony of Robert Bonner, Administrator, Drug Enforcement Administration before the Senate Judiciary Committee, May 19, 1992.

<sup>92</sup> Lautenberg Amendment to the Foreign Operations Appropriations Act of 1990 (P.L. 101-167); Act of October 22, 1982 (P.L. 97-359) and Act of December 22, 1987 (P.L. 100-202) both amending the Immigration and Nationality Act of 1952.



## CANADA

Canadian-U.S. law enforcement cooperation in joint investigations is very good, particularly in drug investigations. The vast majority of heroin entering Canada from Southeast Asia is destined for New York City, so it is important that such cooperation continue.

In attempting to fight Asian organized crime, cooperation between American and Canadian law enforcement authorities is critical. Canada's lax immigration laws and enforcement and the open border between the United States and Canada result in Canada serving as an entry point for criminal elements from the Far East who want to establish operations in the United States as well as in Canada. Canada has experienced a dramatic increase in Asian immigration in recent years.

Asian organized crime has firmly established itself in Canada's major cities, most notably Toronto and Vancouver. Asian organized crime members are also active in Calgary, Montreal, Winnipeg, Edmonton, and Saskatoon.<sup>93</sup> Asian triad and street gang members in Canada are active in heroin trafficking, extortion, illegal gambling, robbery, prostitution, murder, money laundering, and fraud. The potential impact on the United States was outlined by Detective Inspector Roy Teeft of the Toronto Joint Task Force who testified that in excess of 100 Triad members had already applied for immigration into Canada from Hong Kong in anticipation of 1997. He added that "Over the past few years, our lax immigration laws have affected our American neighbours by allowing criminals into Canada who have been using our country as a springboard into the U.S.A. where they continue their criminal activities."

Hong Kong residents do not need a visa to enter Canada. Canada is actively trying to attract immigrants from Hong Kong who could infuse capital into the country. The Canadian Constitution gives anyone present on Canadian soil many of the rights of a citizen of Canada and makes deportation a lengthy and difficult process. In addition, information gathered through intelligence channels is not admissible in immigration hearings.

Canadian authorities need to be able to exclude triad and gang members before they arrive on Canadian soil. As Detective Yates of Toronto pointed out, "Not only can we expect a growth of Triad members within Canada if they are not refused entry, the number of potential victims of crime will also increase dramatically."<sup>94</sup>

## JAPAN

Numerous difficulties currently impede cooperation between Japan and the United States in efforts to stem the influence of Japanese organized crime groups.

The Japanese National Police Agency (NPA) "White Paper on Police 1991" reported that there were over 88,000 members of Japanese organized crime groups as of December 1990. The NPA has detailed information regarding these groups, due to the former practice followed by Japanese crime groups of submitting member-

<sup>93</sup> Canadian Association of Chiefs of Police, "Organized Crime Committee Report, 1991," p. 43-48.

<sup>94</sup> Testimony of Detective Kenneth Yates, Metropolitan Toronto Police Department, before PSI, June 18, 1992.

ship lists to the police. Prior to March 1992, when a new anti-gang law took effect, Boryokudan groups operated quite openly. As a result, the NPA possesses extensive information about Japanese crime group members and associates, including those who have traveled to foreign countries.

Numerous law enforcement representatives have complained of the difficulty of obtaining criminal intelligence information regarding Japanese organized crime from the Japanese NPA. Some law enforcement agents have been successful in procuring intelligence information on an "unofficial" basis. Such information is important, but of limited use in bringing prosecutions against Japanese gang members who commit crimes in the United States, including visa fraud. Only rarely have U.S. officials been able to obtain official intelligence from the Japanese Government, and then usually only after long delays. This is reportedly the result of very strict Japanese attitudes and laws with respect to privacy, which lead to great hesitancy on the part of Japanese officials asked to release information about Japanese citizens.

An additional problem stems from the fact that the Japanese police operate under a "dual criminality" standard. They will disseminate information only if the alleged criminal activity is also a crime in Japan. Since Japanese laws targeting organized crime are still developing, there are gaps—such as in the important area of money laundering—which serve to prevent needed access to information and evidence by U.S. law enforcement.

In light of indications of significant Japanese organized crime activity in the United States, it is critical that the Executive Branch pursue discussions with Japanese authorities regarding these concerns. Diplomatic channels should be utilized to convince the Japanese Government to improve international law cooperation.

### RECOMMENDATIONS

Bold new approaches are needed to better combat Asian organized crime and the new international criminal which Asian crime groups represent.

#### INTERNATIONAL INITIATIVES

These approaches should include the following initiatives at the international level.

1. Streamlined and formal mechanisms for exchange of evidence, information, and intelligence, as well as for extradition of prisoners, are essential and must continue to be developed.

2. Consideration should be given to expanding the anti-crime role and authority of entities such as the United Nations and Interpol. Interpol currently serves primarily as an international message exchange intermediary among police agencies.

3. Expanded exchanges of law enforcement personnel among affected countries should be encouraged. For example, the Federal Bureau of Investigation should consider increasing the number of law enforcement officers from foreign countries, especially from Asian countries, who attend the FBI's National Academy in Quantico, Virginia, as well as offering training for foreign law enforcement officials in other forums. Proposals such as "White Lotus," a DEA plan which would bring law enforcement officials

from Southeast Asian countries to the United States to work jointly with the DEA in developing anti-drug cases and intelligence, should be implemented. The Italian American Working Group, which has fostered successful joint efforts against La Cosa Nostra by U.S. and Italian law enforcement agencies, might well serve as a model for developing similar cooperative efforts with Asian countries.

4. While the Drug Enforcement Agency currently has a substantial presence in Southeast Asian countries, the involvement of Asian crime groups in international criminal activities extends well beyond drug trafficking. Consequently, agencies such as the Federal Bureau of Investigation and the Immigration and Naturalization Service should consider expanded roles for their personnel stationed in U.S. embassies in Southeast Asian countries. To avoid and resolve conflicts among the various agencies, the State Department must exercise more effective control.

5. The Central Intelligence Agency is performing a valuable service in the fight against Asian organized crime through the analysis performed by its Anti-Narcotics Control Center. Consideration should be given to expanding the CIA's analysis function beyond narcotics trafficking since many Asian organized crime groups are involved in criminal activities other than drug trafficking.

6. Those countries which effectively serve as sanctuaries for international criminals by their refusal to extradite such criminals, or to prosecute those within their boundaries who engage in international criminal activities, should be subject to international sanctions. Consideration should be given to expanding 22 U.S.C. § 2291, which imposes sanctions on countries not cooperating in the fight against drug trafficking. Sanctions could be expanded to include those countries serving as sanctuaries for the new international criminals who are members of organized crime groups, whether engaged in drug trafficking or other international criminal activity.

7. Major efforts are necessary to improve law enforcement cooperation with Taiwan. A recent agreement between the United States and Taiwan providing for exchange of evidence and witnesses in criminal prosecutions is an important first step. Nevertheless, Congress should amend the Taiwan Relations Act to remove any doubt that may exist as to whether the United States can enter into an extradition agreement with Taiwan, and such an agreement should be negotiated as soon as possible. U.S. law enforcement liaison officials should be stationed full time in Taiwan (with the consent of the Taiwanese government) to establish liaison channels for exchange of information and evidence about criminal activity of mutual interest.

8. While the Japanese Government has recently adopted new anti-organized crime laws, the effect of these laws remains to be seen. What is clear is that the heretofore anemic Japanese law enforcement efforts against Boryokudan gangs have had an adverse impact on the United States and other countries where the Boryokudan have begun to extend their influence and investments. The failure of Japanese law enforcement officials to share information and intelligence about Boryokudan members in a timely fashion and in a form which is legally admissible in U.S. courts has severely handicapped U.S. law enforcement efforts.

The executive branch should make a priority the negotiation of formal and informal agreements with Japan to promptly improve law enforcement cooperation in particular evidence, information, and intelligence sharing.

In furtherance of this effort, the State Department should amend current visa regulations to make Boryokudan membership an independent basis for denying a visa. While Boryokudan members with criminal records are currently subject to visa denial, many Boryokudan members do not have arrest records.

9. As the 1997 PRC takeover of Hong Kong approaches, increased strains in the current good working relationship among law enforcement authorities may be anticipated. The United States should continue to press Hong Kong and British authorities for better intelligence sharing regarding triad members and organizations. Stepped up efforts by U.S. consular and immigration officials to prevent triad members from coming to the United States are necessary. The recent State Department initiative making triad membership an independent ground for visa denial is encouraging.

Negotiations should continue and be completed as soon as possible to ensure that law enforcement cooperation between Hong Kong and the United States will continue post-1997 under the "one country-two systems" concept.

#### DOMESTIC INITIATIVES

On the domestic level, substantial additional attention and law enforcement resources must be devoted to Asian organized crime.

1. Law enforcement officials at all levels have endorsed the task force approach. This approach helps to eliminate jurisdictional rivalries which have proved to be a major hindrance to law enforcement efforts to combat Asian organized crime and allows law enforcement personnel to take advantage of disparate law enforcement jurisdiction and expertise.

The task force approach should be implemented to combat Asian organized crime in all jurisdictions where practical. The task force should be a partnership of Federal, State and local law enforcement entities. In some cases, a case specific task force could be established that would later expand to an ongoing task force. Task force participants should, where possible, be housed in the same location.

2. Law enforcement agencies at all levels in the United States should recruit and hire Asian language speakers and train current employees in Asian language skills.

To combat Asian organized crime it is essential that individuals proficient in Asian languages and knowledgeable about Asian culture work at all levels of law enforcement. Such persons are essential for encouraging community cooperation, conducting undercover operations, and developing cooperative witnesses. Linguists are needed to help manage court authorized wiretaps and perform other essential functions.

Law enforcement agencies should also utilize the foreign language expertise of other agencies. For example, Department of Defense language specialists have provided occasional assistance to Federal law enforcement agencies. These efforts should continue.

U.S. law enforcement agencies have thus far failed to make serious efforts to recruit Royal Hong Kong Police officials, despite the fact that most witnesses who testified before the Subcommittee agreed that such an endeavor would be fruitful. Many Royal Hong Kong Police officers are reportedly interested in leaving Hong Kong prior to 1997. Canada and Australia are currently exploiting this potential resource, and the United States should do the same. If necessary, Congress should enact legislation to facilitate such recruiting efforts.

3. Law enforcement agencies at all levels should implement measures designed to reach out to Asian communities in order to gain their trust and understanding. Such measures may include telephone "hotlines" which allow crimes to be reported in Asian languages; aggressive public information programs designed to increase reporting of crime; and joint Federal-local efforts to develop better relations with local Asian communities.

4. The U.S. Secret Service, which has primary responsibility for enforcement of credit card fraud statutes, should devote sufficient attention and resources to the growing problem of Asian organized crime involvement in fraudulent credit card manufacture and distribution. While manufacture of fraudulent cards is centered in Southeast Asia, the impact is being felt by U.S. consumers who ultimately pay higher interest rates to cover the losses suffered by card issuers.

5. U.S. law enforcement efforts against Asian organized crime money laundering are weak, uncoordinated and ineffective. The 1991 surplus of \$2.6 billion returning to the United States from Hong Kong suggests the immensity of the problem. The existence of such a large imbalance in currency flows can be an indication of illegal money laundering activity. For example, one billion dollars per year in surplus currency returned from Panama to the United States in the mid-1980's. This surplus was cited as evidence of the use of Panamanian banks for money laundering by South American cocaine cartels.<sup>95</sup> Neither the Internal Revenue Service, U.S. Customs, DEA nor the FBI, all of which have jurisdiction in the money laundering area, have thus far had a significant impact on Asian organized crime money laundering.

The IRS, in particular, should crack down on the legal California card clubs. These clubs, which have in some cases become centers for Asian organized crime activity, including money laundering, have thus far escaped close law enforcement scrutiny. Treasury department regulations should be clarified to make clear that such clubs are required to file reports detailing large cash transactions. In addition, the State of California should move to exercise more effective control over the operations of these clubs.

6. Asian organized crime figures are taking advantage of the new communications technology. Law enforcement must keep pace with technological developments. New digital telecommunications technology, for example, poses potentially significant technical problems for authorized wire intercept capabilities of law enforcement authorities. Legislation may be necessary to ensure that law en-

<sup>95</sup> Hearing of PSI on *Drugs and Money Laundering in Panama*, January 28, 1988, S. Hrg. 100-654.

forcement agencies can maintain access to new telecommunications systems through court-authorized surveillance.

#### IMMIGRATION ISSUES

Immigration laws and practices must be reformed to help limit easy access of Asian organized crime members to the United States and speed deportation of such members.

1. Current penalties for alien smuggling and visa fraud are inadequate. Alien smuggling has become a lucrative business for Asian organized crime operatives who run little risk of prosecution or of serious penalties even when they are prosecuted. Under current sentencing guidelines, convictions currently result in sentences of less than 6 months. Visa fraud cases, even when successfully prosecuted against Asian organized crime members, seldom result in significant penalties. Congress should enact legislation similar to the D'Amato amendment, adopted by the Senate as an amendment to S. 1241, which would adjust sentencing guidelines substantially upward for violations of 8 U.S.C. § 1324(a) (alien smuggling) if certain factors exist, including the smuggling of five or more aliens or of persons associated with organized crime, or if the aliens are treated in an inhumane fashion.

2. The Immigration and Naturalization Service must become more involved in the fight against Asian organized crime. INS officials testifying before the Subcommittee on November 6, 1991 indicated that INS would be establishing Asian crime task forces to specifically attack the problem of Asian organized crime. Subsequent written communications from INS indicate, however, that the INS no longer intends to create such task forces. Nor has INS made a sustained commitment to assigning its investigators to task forces where such task forces exist. Asian organized crime figures who enter the United States frequently obtain visas under false pretenses or violate other immigration laws and are potentially subject to prosecution and deportation. No sustained or coordinated effort has yet been undertaken by INS to enforce current immigration laws against Asian organized crime leaders. This must change. Congress should consider mandating creation of special INS task forces to accomplish this task.

3. Obtaining adequate detention space is essential to fully enforce the immigration laws. Key ports of entry for alien smugglers such as New York, Los Angeles, and San Francisco are frequently overwhelmed with illegal entrants who, because of the lack of detention space, are released on parole, in many cases never to be heard from again. But as one INS official testified, "Detention is truly a deterrent. It works."<sup>96</sup> Congress should therefore take steps to provide additional detention facilities by re-allocating existing space to INS for the purpose of detaining undocumented aliens.

4. Congress should consider amending current immigration laws to grant INS summary exclusion authority for aliens who arrive in the United States with fraudulent documentation or with no documentation whatsoever. Many of these aliens have destroyed their documents en route in an attempt to avoid scrutiny of their documents by INS officials at the point of entry. Aliens are frequently

<sup>96</sup> Testimony of Michael Lempres, INS Executive Associate Commissioner for Operations, before PSI, November 6, 1991.

arriving at U.S. ports of entry with no travel documents whatsoever. The lack of detention space means they are frequently paroled into the United States without any certain knowledge by INS officials of the real name of the alien, and certainly without any assurance whatsoever that the alien will ever return for an exclusion hearing. Carefully limited summary exclusion authority for INS officials would deter such efforts.

#### CONCLUSION

Asian organized crime presents an increasingly formidable challenge to law enforcement throughout the world. The extension of Asian organized crime from its origins in the Far East to the United States and elsewhere has been clearly documented. Asian crime groups have proven themselves to be dynamic, sophisticated, and internationally connected.

Law enforcement in both the United States and abroad must take the necessary steps to recognize, pursue, and prosecute Asian criminal figures. New approaches are necessary, and such approaches must seek to dramatically increase the level of international coordination. A failure to do so will only serve to further endanger Asian-American communities and ultimately to threaten the safety and well-being of all citizens.

\* \* \* \* \*

The following Senators, who were members of the Permanent Subcommittee on Investigations at the time of the hearings, have approved this report:

Sam Nunn  
John Glenn  
James R. Sasser  
David Pryor  
Joseph Lieberman

William V. Roth, Jr.  
Ted Stevens  
William S. Cohen

Other Senators, who are Members of the Committee on Governmental Affairs, approving this report are:

Daniel K. Akaka

The Members of the Committee on Governmental Affairs, except those who were members of the Senate Permanent Subcommittee on Investigations at the time of the hearings, did not participate in the hearing on which the above report is based. Accordingly, they have taken no part in the preparation and submission of the report, except to authorize its filing as a report made by the Subcommittee.

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