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## A Comparative Analysis of the Harm That Russian and Chinese Organized Crime Groups Can Inflict on American Society

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A COMPARATIVE ANALYSIS OF THE HARM THAT RUSSIAN AND  
CHINESE ORGANIZED CRIME GROUPS CAN INFLICT  
ON AMERICAN SOCIETY

by

Bryce L. Hoekenga

A Thesis  
Submitted to the  
Faculty of The Graduate College  
in partial fulfillment of the  
requirements for the  
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Department of Political Science

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1997

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Bryce L. Hoekenga

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Western Michigan University, 1997

Determining which of the two main ethnic organized crime groups emerging in America poses a greater threat to society was the focus of this study. One group is from or is closely linked to Russia and the other group is from or is closely linked to China.

The aspects of each group that were discussed include their origins, their spread to America, how they are structured, their membership sizes, the types of crimes they commit, and how law enforcement has responded to each group. The aspects that were compared between the two groups include their levels of sophistication, the seriousness and diversity of the crimes they commit, and each group's ability to operate nationwide and affect the average American.

The conclusion of this study is that Russian organized criminals pose a greater threat to American society than Chinese organized criminals pose.

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## CHAPTER I

### INTRODUCTION

#### The Reason to Study Organized Crime

In 1977 an FBI agent posing as a jewel thief infiltrated one of America's most powerful La Cosa Nostra organizations, the Bonanno crime family, by befriending an unsuspecting soldier in the family, Benjamin Ruggiero. Joseph Pistone, under the alias of Donnie Brasco, faked his loyalty to the Bonanno family, one of New York City's five La Cosa Nostra families, until shortly after May 14, 1981 when a captain in the family, Dominick Napolitano, commanded him to kill a rival family member, Anthony Indelicato. Pistone left the underworld on July 26, 1981 with enough information to help convict over 100 mobsters, which is exactly what he did. (Pistone 12)

Pistone so infuriated some La Cosa Nostra members that a contract offering \$500,000 for his life and/or the lives of his wife and three daughters was up for the taking. The contract was atypical for La Cosa Nostra. Under traditional Mob rules, both law enforcement agents and the families of targeted individuals were not to be harmed. These rules were not humanitarian gestures; they were meant to prevent unwanted attention to the enter-

prise. (O'Brien 20) Law enforcers knew that the contract could only be canceled from the top. The top was Paul Castellano, head of America's most powerful La Cosa Nostra organization, the Gambino crime family in New York City. Although each family had its own boss, Castellano was the *capo di tutti capi*, the boss of bosses, the first among equals, and his input carried the most weight within La Cosa Nostra. Law enforcers also knew that the best way to contact Castellano would be to drop in at his house uninvited - something very few people did.

Castellano, a recluse, had a well-secured multimillion-dollar mansion in Staten Island's upscale Todt Hill neighborhood. The house's location, on the highest point of land in all of New York City, gave him a splendid view of the Verrazano-Narrows Bridge. Inside he had large lamps covered in gold leaf and shaped like Renaissance sculptures. In the back yard was an Olympic-size swimming pool. (O'Brien 19, 20) His home was nicknamed the "White House" because it resembles the real White House in Washington, D.C. FBI Special Agents Joseph O'Brien and Frank Spero had the job of visiting Castellano to tell him to cancel the contract. Standing at his front door intimidated the agents. An unlikely threat of physical danger didn't intimidate them; it was the opulence of Castellano's home which reminded them of the power and

wealth of the enterprise he led. While looking at his semicircular driveway, they imagined all the mobsters and legitimate businessmen that came to him in their Cadillacs and Jaguars seeking advice and favors. They felt they were dropping in on the underworld equivalent of the chairman of General Motors. (O'Brien 24)

Indeed, Castellano was a rich man. Organized crime generates a staggering amount of wealth and is an immense drain on the U.S. economy. The National Strategy Information Center in Washington estimated in 1993 the annual worldwide profits of organized crime to be about \$1 trillion, almost the amount of the U.S. federal budget. (Elliott 22) Studies estimate that organized crime annually saps up to \$500 billion from the U.S. economy. (Ryan 1, 3) That amount is nearly twice what U.S. taxpayers spent on national defense in 1996, which was \$254.4 billion.

Organized criminals typically engage in drug trafficking, extortion, prostitution, pornography, illegal gambling, money laundering, skimming, loansharking, bribing police, blackmail, labor racketeering, murder, infiltrating legitimate business, corrupting public officials, and more. In pursuit of every avenue where money can be made, organized crime is more omnipresent than most people realize. Such crime groups can directly or indirectly

affect all Americans but they operate in such a stealthy and subtle way that the average person has no way of knowing if he or she has been victimized.

Imagine you live in New York City and you have decided to walk to the corner store to buy a few groceries. You have just put on your jacket but you may not realize that part of the money you spent on that jacket may have gone to organized criminals. The Gambino family was involved in New York's clothing industry and in 1991 the family was charged with taking payoffs ranging from \$3.50 to \$7.50 for every \$100 worth of clothing. (Ryan 8) See that sidewalk you are on? About \$1 to \$2 of the amount spent on each yard of concrete in New York went to criminal organizations due to their control of the construction industry. (Ryan 7) New York has the nation's highest construction costs thanks in part to this control. See that trash on the curb? The company that hauls it away was likely involved with organized crime. (O'Brien 29). Do you know who owns the store you are going to? The Gambinos controlled two supermarket chains. (O'Brien 71) Do you plan on buying chicken? Part of what you pay may go into the Gambino family's pockets. The family owned a wholesale company in Brooklyn, Dial Meat Purveyors Inc., which distributed to over 300 retail butchers. (O'Brien 70) How about fish? If it passed

through New York's Fulton Fish Market, there is a chance that up to half of what you pay will go to New York's Genovese crime family. (Ryan 8)

These inflated costs diminish our quality of life but determining how much harm organized crime inflicts on society can be difficult. For many reasons, victims usually do not report the crime and when a report is filed, information on the incident will not necessarily state whether or not the alleged criminal is linked to organized crime. (Ryan 154)

Organized crime is increasingly becoming an international problem. In recent decades many countries, including Russia, have liberalized their emigration policies, thus allowing people to flow more freely over borders. Many organized criminals who believe America is the land of opportunity are moving here. Also, money laundering has become easier in the computer age. Electronic fund transfer systems can zip billions of dollars in illicit proceeds across oceans in seconds. The potential for Russian organized criminals to smuggle nuclear material to terrorists or rogue nations is one of many international crimes that can affect America. To help combat the problem, the FBI has increasingly been cooperating with and training law enforcement agents in Eastern Europe. (Freeh 1) Under communism, Russian law enforcers had few

legal tools to help them fight organized crime there. The fall of communism enabled experienced Russian crime groups to commit their sophisticated crimes abroad. The FBI opened a legal attache office in Moscow to work with Russian law enforcers. Between July 1994 and May 1996, the number of cases the FBI worked on in Moscow jumped from 20 to over 200. (Freeh 4)

Narcotics trafficking has become the main income source for organized crime and the U.S. economy's most successful growth industry. Over a million arrests made annually in America involve illegal drugs. About 80 percent of all arrests are for the alleged use of narcotics. (Schmidt 585) The Drug Policy Information Clearing House estimated that Americans spent \$48.7 billion on illicit drugs in 1993. Chinese and Nigerian organized crime groups handle most of the heroin brought into America and the Columbian cartels supply a major portion of the cocaine found here. Outlaw motorcycle gangs, La Cosa Nostra, and emerging organized criminals from Jamaica, Haiti and the Dominican Republic are the main distributors of 70 percent of the marijuana in America. (Ryan 9) In terms of drug abuse, not all costs to society are monetary. Such abuse can lead to addiction, ruined careers, ruined families, serious health problems, violence, death and other problems that may be difficult to measure.

Just as the world is rapidly changing with technology and wide-spread democratization, so too is organized crime rapidly changing. To survive, organized crime must be as dynamic as society and as increasingly clever as law enforcement. The thesis will offer insight into how organized crime has evolved and what it may look like in the future. And this may help society and law enforcement cope with such crime.

### The Purpose of the Thesis

When many people think of organized criminals they think of the Italian-American group, La Cosa Nostra, and how it is portrayed in Francis Ford Coppola's 1972 film, *The Godfather*. Of all ethnic crime groups in America, La Cosa Nostra still poses the greatest threat to American society. (Tri-State 35, Kleinknecht 290-291) But due in part to La Cosa Nostra's decline, other ethnic groups are filling the void and gaining power. Organized crime is indeed an equal-opportunity occupation. Other crime groups that have found their way to America include those from the West Indies, the Middle East, Asia and Eastern Europe. Law enforcers and academics agree that the two main emerging groups in America are Russian and Chinese so this thesis will discuss and compare only these two groups to determine which one has a greater potential to



harm American society. (Chin 214, Sterling 152, Tri-State i, 35) To do this, the thesis will review the relevant literature to evaluate each group's level of sophistication, and the seriousness and diversity of the types of crimes they commit. The thesis will also compare each group's ability to operate nationwide and to affect the average American. We will then determine which group poses the greatest threat to American society. But first, we will begin by defining organized crime and terms related to organized crime. This chapter's last section will preview the remaining chapters.

#### Defining Organized Crime and Terms Related to Organized Crime

Very few clear definitions of organized crime exist. We may know organized crime when we see it or hear about it but actually pinning down a simple definition of what it is can be difficult. To worsen matters, law enforcers, academics and other writers tend to redefine organized crime groups as such groups evolve. The main goal in defining organized crime is determining the difference between *non-organized* crime and organized crime. This section will use several source types, such as the FBI and academics, to help us define organized crime.

Although the thesis will focus on Chinese and Russian organized crime, La Cosa Nostra will be mentioned

throughout the thesis since the organization is still America's most powerful organized crime group and Chinese and Russian organized crime groups sometimes conflict with and sometimes cooperate with it. Therefore, this section will discuss the term "La Cosa Nostra" and discuss why the thesis will use the term instead of its other common moniker, the "Mafia". Since terms involving Chinese and Russian organized crime, such as the Chinese secret societies and criminally-influenced tongs, will be explained and discussed in Chapters IV and V, their definitions will be only included in those chapters to avoid redundancy in the thesis.

Before we define organized crime, we must realize that organized crime is an activity or behavior and not a group or organization. In other words, La Cosa Nostra is not organized crime; La Cosa Nostra is a group that commits organized crime. Since organized crime is what organized crime groups do, we must know the characteristics of organized crime groups. According to the FBI, they are "continuing criminal conspiracies having an organizational structure, fed by fear and corruption and motivated by greed." (FBI 1) Academics, who are more exhaustive when describing the characteristics, say such groups have durability, continuity, sophistication, a bureaucratic hierarchy, a functional division of labor, an element

of conspiracy, an internal discipline system, and members from society's legitimate and criminal sectors. They commit crime for a profit, they sometimes use, or threaten to use, violence to reach their objectives, they provide illegal goods and services to meet public demand and they try to protect themselves from law enforcement and prosecution by using methods such as corrupting public officials. (Ryan 5, 6, Albanese 5, Maltz 26-31) A group with those characteristics is an organized crime group. The difference between an organized crime group and a legitimate group may be determined by measuring the amount of harm the groups cause. For example, as Patrick Ryan notes, the difference between loansharking and legitimate loaning is the interest rate charged and the methods used to collect on loan defaults. (Ryan 7)

The difference between organized and non-organized crime could be determined not by categorizing the type of crime that is committed, but by evaluating the circumstances surrounding the crime. To help us understand the differing circumstances that can surround a crime we can use auto theft as an example. Imagine members of a group stealing Acuras and Range Rovers less than two years old in the Los Angeles area. The vehicles are stripped, rebuilt and given new bogus vehicle identification numbers by other members of the group at a nondescript ware-

house in suburban San Fransisco. The vehicles are then shipped to Warsaw, Poland where another group sells them to waiting customers. Imagine that this activity continues, or is intended to continue, for at least several years. Now imagine one or two youths, with few or no connections to anyone, who spontaneously steal a car, almost any kind of car, in a grocery store parking lot. The first scenario - in which at least a few people cooperate to commit a planned, on-going crime for a profit - is an example of organized crime. The second scenario - in which no extensive cooperation, planning nor duration occurs - is not an example of organized crime. Some organized crime isn't as complex as what is portrayed in the first scenario but it offers insight into the difference between organized and non-organized crime.

Not all crime planned to make a profit for a cooperating group of people is organized crime. White-collar crime, such as insider trading on Wall Street, isn't organized crime unless an organized crime group is involved to make a profit. Also, when an organized crime group member commits a crime, the crime doesn't necessarily benefit other group members. If a group member commits rape, other group members would unlikely profit from the act. We must also realize that someone who isn't an organized crime group member can still benefit an orga-

nized crime group. Meyer Lansky was a main financial advisor for La Cosa Nostra and he committed organized crime that benefited La Cosa Nostra, but he never formally joined the group. Finally, a subgroup within an organized crime group, such as a family within La Cosa Nostra, may commit organized crime that won't necessarily benefit other subgroups within the group. Therefore, for this thesis, organized crime is crime that benefits, or is intended to benefit, at least two members of an organized crime group.

To learn why the term "La Cosa Nostra" will be used instead of the commonly used term "Mafia" will require the latter term's origin in Sicily to be reviewed. The Italian government abolished feudalism shortly after the Kingdom of the Two Sicilies united with Italy in 1860. The island of Sicily had owners of cultivatable land, and peasants who would rent land from its owners and cultivate it. Due to a weak central government on the mainland, the situation on the island left a power vacuum for people who would ensure that the landowners received their rent and ensure that the land was protected from restless peasants. These people were also to protect the landowners' privileges which the Italian government was undermining since the peasants were being liberated. The landowners recruited middlemen, called "mafiosi", from

the peasantry to fill the vacuum. The mafiosi extorted money from the peasants and forced them to sign impossible leases, but they promised the peasants work and contracts. The term "mafia" did not refer to an organization or secret society; it referred to the protection, patronage and other services that the mafiosi provided in Sicily. (Albanese 18-23) Between 1880 and 1920, over 4 million Italians, mainly Sicilian peasants, emigrated to America. And with this immigration came a group of Sicilians that in America evolved into a criminal secret society known as the Mafia. Some of the group's counterparts from mainland Italy, who were based in Naples, also came and were known as La Camorra. In 1889 a war broke out between the two group in New York City. The feud claimed 1,400 lives and ended in 1918 when the Mafia absorbed La Camorra. (Kleinknecht 37, 39) When Joseph Valachi, a soldier in the Genovese family, testified before the U.S. Senate Permanent Subcommittee on Investigations (the McClellan Committee) in 1963, he said what was known as the Mafia was actually called, by the organization's members, La Cosa Nostra, which means "Our Thing". Nonmembers have also called La Cosa Nostra the "Mob" and the "Syndicate". Bonanno family boss Joseph Bonanno wrote in his 1983 biography that some members called the enterprise "our Tradition" or "union Siciliano". (Bonanno 145) Since

nonmembers called the group the Mafia and members commonly called it La Cosa Nostra, the latter term must be more accurate and will therefore be used for the thesis. Areas in the thesis where La Cosa Nostra is frequently mentioned may use the "Mob" to avoid repetition.

### The Chapters Ahead

The thesis will now begin to explore the aspects of modern organized crime that will ultimately help us determine which of the two main ethnic crime groups emerging in America, Chinese and Russian, has a greater potential to harm American society. These aspects include how the FBI confronted La Cosa Nostra, immigration to America, how other ethnic crime groups are emerging in America and how these groups operate here.

To avoid informing organized crime groups how they are being monitored, the FBI will not disclose its investigative techniques in any specific way. But several tools that the FBI uses, such as those originating from legislation, can be discussed. Chapter II will focus on how the FBI has battled La Cosa Nostra in the past, before the new ethnic crime became major threats. This will give us historical insight into the methods used in prosecuting Russian and Chinese crime groups.

By focusing on Chinese and Russian organized crime groups, this thesis should not imply that these are the only two dangerous groups emerging in America. This would be misleading. Many different law-abiding ethnic groups are making America their home and with them sometimes comes a criminal element. Chapter III will discuss modern trends in immigration and how this immigration can facilitate the emergence of ethnic crime groups. This chapter will also explore two emerging crime groups with significant power, the Japanese Yakuza and Jose Miguel Battle's Cuban Corporation. Evaluating these two groups will help us realize how the more powerful Chinese and Russian crime groups differ from other crime groups in terms of the amount of havoc they can wreak on American society.

Chapters IV and V will showcase Russian and Chinese organized crime groups respectively. Every aspect of each group will be discussed to help us determine which group poses the greatest threat to American society. This will be determined in Chapter VI by contrasting the two groups. Also in Chapter VI, our thesis will conclude and our final expectation will be offered.



## CHAPTER II

### THE FEDERAL RESPONSE TO LA COSA NOSTRA

#### Introduction

La Cosa Nostra monopolized organized crime for decades so this chapter will focus on the FBI's investigation of La Cosa Nostra to provide an historical analysis of how the bureau has battled organized crime in the last 40 years. The chapter will include some events in La Cosa Nostra that led to government action and how this action helped lead to La Cosa Nostra's decline. The discussion will also offer insight into the background of many crime-fighting methods and programs still used today, such as the Racketeer Influenced and Corrupt Organizations Act and the Witness Protection Program. We will explore the monumental amount of work that has gone into the prosecution of mobsters. The FBI had to completely revolutionize its investigating techniques to tackle the Mob and now, with the emerging Russian and Chinese crime groups, the techniques must be continuously revised. Knowing how the FBI tackled organized crime in the past will help us understand how the bureau investigates Russian and Chinese crime groups today. Finally, this chap-

ter will help us in later chapters assess the ability of Russian and Chinese crime groups to evade law enforcement and prosecution.

### La Cosa Nostra's Rise to Power and the FBI's Failure to Stop It

The first ethnic groups to form large and successful organized crime groups in America were Irish and later Jewish. La Cosa Nostra seized power in the underworld during Prohibition mainly because Italian gangsters had a reputation for ruthlessness and because Italians outnumbered the Irish and the Jews. While the Irish mobsters tended to use fists and stones in street brawls and Jews acted more defensively, Italians were inclined to draw guns and knives to maim or kill. (Kleinknecht 36) La Cosa Nostra grew until it reached its peak of power in the 1960s with 24 families and about 4,500 members, excluding the thousands of associates and corrupt public officials involved with the group.

This growth was caused partly by the FBI's slow response in confronting the problem, and this slow response was caused by Director J. Edgar Hoover's long-lasting denial that La Cosa Nostra existed. Several theories and explanations for Hoover's denial exist. He was extremely concerned about the FBI's image and about maintaining the bureau's 96-98 percent conviction rate, so he selected

cases and crimes that could be quickly and easily solved such as kidnapping and bank robberies. Taking on a national crime network, however, would be a monumental task that many believe Hoover was unwilling to commit to. Another theory is that he didn't want to jeopardize relationships with federal, state and local politicians linked to La Cosa Nostra and possibly wealthy, Mob-related friends. (Ungar 392, 393) Some contend that Hoover himself associated with La Cosa Nostra - specifically Frank Costello, boss of what would become New York City's Genovese family - or that the Mob had blackmailed Hoover into keeping his distance by threatening to reveal his alleged homosexuality. Hoover was possibly in denial because he didn't know how to tackle La Cosa Nostra. To have an FBI agent infiltrate the Mob would have been difficult since Hoover recruited only clean-cut non-minority males. Even if infiltration was possible, Hoover likely would have disapproved it since he believed that high-level criminals could corrupt undercover agents - a risk he was unwilling to take. (Gentry 328-330) Whatever the reason(s), the FBI did little to stop La Cosa Nostra until there was so much evidence that it existed that the bureau could no longer ignore the problem.

## The Kefauver Hearings

La Cosa Nostra received national attention during the U.S. Senate Special Committee to Investigate Organized Crime in Interstate Commerce hearings which began on May 1, 1950 and ended on Sept. 1, 1951. Sen. Estes Kefauver, D-Tenn., chaired the group which became commonly known as the Kefauver Committee. (Kefauver resigned from the seat in May 1951, three weeks after one of his 1948 campaign contributors, Herbert Brody, was arrested for running an illegal gambling operation in Nashville.) The committee's purpose was to learn about organized crime, and the hearings, held in 14 U.S. cities, were often televised. The events featured a string of witnesses, including Frank Costello, who invoked their Fifth Amendment right against self-incrimination. Costello, the "Prime Minister of the Underworld," was the star witness since he was known for being politically well-connected. His face made the front page of many newspapers but it was not found on the TV screen. Costello, in his tailor-made suits, insisted that his face not be televised so the camera operators panned in on his nervous hands instead. The press called the situation Costello's "hand ballet." (Davis 68) His exposure eroded his power in La Cosa Nostra and in 1952 he was sentenced to 18 months in jail for contempt of the U.S. Senate.

The Kefauver hearings received mixed reviews. Some believe Kefauver used the hearings to further his goal of becoming president. Some believe the hearings presented what many local public officials already knew and that the hearings sometimes created myth about organized crime. But the Kefauver Committee uncovered many facts and raised public awareness about the problem. The group concluded that a national organized crime network called the Mafia operated in many major cities and used interstate commerce to commit its crimes. The committee also determined that gambling was La Cosa Nostra's main income source and that the Mob was a local problem which should receive limited federal involvement. (Herbert 84, 85) Hoover, however, continued to deny the Mob's existence.

#### Vito Genovese's Fight to the Top

In 1957, a power struggle occurred within La Cosa Nostra. Vito Genovese had replaced Costello as a family boss and was now eager to be La Cosa Nostra's top boss. Genovese ordered a soldier in his family, Vincent Gigante, to kill Costello because of the publicity Costello attracted from the Kefauver hearings. On May 2, 1957, Gigante approached Costello in the lobby of Costello's Central Park West apartment building, the Majestic, and shot him in the head. But the bullet only

grazed his scalp. Costello walked to Roosevelt Hospital and had his head bandaged. Genovese then ordered another soldier in his family, Jimmy Squillante, to kill Frank Scalise, an underboss in what was to become the Gambino family. Scalise was caught selling memberships into La Cosa Nostra for up to \$50,000 per person and pocketing the proceeds - actions that clearly violated Mob rules. Scalise was feeling tomatoes in a Bronx fruit market in July 1957 when Squillante fatally shot him four times in the neck and head. (O'Brien 34-36) Genovese's next target was Albert Anastasia, the trigger-happy boss of what would become the Gambino family. Anastasia - who had also co-managed La Cosa Nostra's hit squad, Murder Inc., which killed an estimated 800 people - vowed to avenge the shootings of Costello and Scalise. Genovese gave the rub-out job to the three Gallo brothers in what would become New York's Colombo family. On Oct. 25, 1957, Anastasia went to the barbershop in New York's Park Sheraton Hotel for a trim and shave. He was leaning back in a barber's chair with a hot beard-softening towel over his face when two Gallo brothers walked in and shot five bullets into his head and back. (Davis 79)

## The Apalachin Meeting

Genovese's following actions would become a watershed event for La Cosa Nostra. He invited about 100 members of the Mob's top echelon, labor union leaders and other associates from throughout the country to a meeting near Apalachin, a rural community in upstate New York. The meeting, where La Cosa Nostra's four most pressing issues were to be discussed, was held at the estate of Joseph Barbara, a Canada Dry soft drink distributor and a *caporegime* (captain) in Buffalo's Magaddino crime family. The first topic on the agenda was an explanation for the recent rash of violence and a discussion on who would replace Anastasia as a family boss. (Before the meeting, Genovese informally announced that he wanted Anastasia's underboss, Carlo Gambino, to fill the position. The promotion had the blessing of other bosses but they wanted to discuss the issue before formally proceeding with it. Gambino eventually assumed the position, though not by any discussion at the Apalachin meeting, and the family he controlled was named after him.) The second agenda topic involved membership. Those who bought their way in were to be ejected and the selling of memberships was to be condemned. The next agenda item was to be the possible formal banning of narcotics trafficking by La Cosa Nostra members. In the fourth discussion, a plan was to be

developed on how to deal with nonunion labor that could threaten the jobs of members of Mob-controlled labor unions. Finally, in an unannounced discussion, Genovese was going to anoint himself boss of bosses. (Davis 84, 85)

But things didn't go as planned. A state trooper, Sgt. Edgar Croswell, was investigating a bad-check incident at an Apalachin hotel when he noticed that Barbara's son, Joseph Barbara Jr., had reserved three rooms under the name "Barbara" for the nights of Nov. 13 and 14, 1957. On Nov. 13, other state troopers saw luxury cars headed to Barbara's ranch-style home. Croswell returned to the hotel that evening and found Cleveland boss John Scalish's car there. Curious, the trooper decided he would visit Barbara's home on the next day. He and some other troopers arrived around noon and found some of the nation's most powerful and vicious mobsters standing near a huge barbecue pit where thick steaks flown in from the Armour Co. of Chicago were sizzling. They were going to eat lunch and then talk. Since there was no evidence of a crime being committed, the police could not raid the home. But they did jot down license plate numbers. Croswell also radioed in for two backup cars and three deputies. Over 35 cars, mainly Cadillacs and Lincolns, were there and many of the cars had out-of-state plates. When Mrs. Barbara saw the police through a window she



shouted, "Hey, there's the troopers. The troopers are here!" (Davis 87) Many of the mobsters, in their suits and ties, suddenly scattered. Some ran to their cars. Some fled to the barn. Some bolted for the woods and fields. Others kept their cool and stayed in the house. Croswell quickly got in his car and drove to Route 17 near the end of Barbara's driveway to set up a roadblock and checkpoint. The troopers, who were located at various areas around the estate, managed to detain, identify and question 58 mobsters. Before the hoodlums were released, the troopers checked their wallets and found that they were carrying about \$300,000, or about \$5,172 each. Months later, people were finding \$100 bills in the area that some mobsters discarded to avoid looking suspicious. (O'Brien 38)

#### J. Edgar Hoover's Response to the Apalachin Meeting

J. Edgar Hoover swallowed a bitter dose of reality when he went to his front steps the following morning to retrieve his Sunday paper. The Apalachin meeting made national headlines. It astounded the American public by proving the contrary to what Hoover and the mobsters themselves had been saying for years; the meeting proved that a national crime network existed. It was a major

blow to the out-of-touch FBI and a major blow to La Cosa Nostra which would now be more carefully watched.

### The Top Hoodlum Program

Within days Hoover launched the Top Hoodlum Program in which each bureau field office in the country had to develop a list of 10 major hoodlums in their jurisdictions. Some offices had so many mobsters in their territory that they had difficulty deciding which ones to put on the list, while other offices had difficulty identifying mobsters in their areas and ended up with the names of people who could hardly be considered mobsters. The FBI at that time thought it could dissolve the crime network within six to eight months. (Ungar 394) In the Chicago office, a group of young, restless agents who had become bored with paper shuffling were given the task of developing a top-10 list. While gathering information, they got a tip that the city's top mobsters met in the mornings at a tailor's shop over a restaurant on North Michigan Avenue. From a lookout in a tall building across the street, the agents noticed a lot of traffic to and from the shop and decided they wanted to bug (place a surveillance microphone in) the shop. Hoover approved the plan. In a series of "break-ins" usually in early Sunday mornings, the agents placed a bug in a radiator in the

shop and ran the wire down an elevator shaft and then out of the building. The installation work was sloppy but functional. The bug went undetected and provided a wealth of information for five years. The agents learned, by eavesdropping on foul-mouthed Chicago boss Sam Giancana, which mobsters held seats on La Cosa Nostra's ruling body, the Commission. (Ungar 395) In 1964 they learned how the former U.S. attorney general and former U.S. Supreme Court Justice Tom Clark was bribed into granting parole to four Chicago mob leaders in 1947. (Gentry 335) The transcripts revealed everything from gruesome killing methods to corrupt Congress members. The bugging operation was so successful it served as a model for similar operations around the country.

### Hoover's Continuing Denial

Before a great deal of information was obtained from the Chicago bug, Hoover began to admit that La Cosa Nostra existed, but he refused to say it existed before his admission. In the fall of 1958, the FBI's Research and Analysis division completed, with Hoover's blessing, a two-volume report on La Cosa Nostra. One volume discussed La Cosa Nostra's history in Sicily and the other volume covered its evolution in America. The study proved that the Mob existed in America and that it existed here dur-

ing Hoover's period of denial. Deputy FBI Director William Sullivan headed the division and had 25 copies of the report made. The copies were distributed throughout the Justice Department, including one to Hoover. After Hoover returned from lunch, he read the report, called it "baloney" and ordered Sullivan to immediately retrieve each copy. Sullivan's agents ran through the building pulling copies from in-baskets. The study was never used or read by anyone outside the FBI. (Gentry 454, 455, Ungar 393)

#### The McClellan Committee

Sen. John McClellan of Arkansas also took an interest in organized crime and he chaired two investigating committees, the most famous of which was set up in 1963. In February 1957, about four months before Costello was shot in the Majestic lobby, the U.S. Senate Committee on Government Operations formed the Senate Select Committee on Improper Activities in the Labor and Management Field, more commonly called the McClellan Committee. The hearings lasted until 1960. The committee's purpose was to investigate illegal labor union activities but it soon began to focus on one union, the International Brotherhood of Teamsters, and two people who controlled the union, President Dave Beck and Central States Committee

Leader James Hoffa. The committee learned that many of those who attended the Apalachin meeting were in labor-related businesses and they started to learn how powerful La Cosa Nostra really was - all before J. Edgar Hoover admitted that it existed. The hearings revealed evidence that led to the convictions of Beck and other union officials including, in 1962, Hoffa. (Herbert 85)

In May 1963, the committee was resurrected and renamed the Permanent Subcommittee on Investigations, still commonly called the McClellan Committee. The televised hearings gave Americans a crash course in La Cosa Nostra starting on Sept. 27, 1963 when Joseph Valachi, a soldier in the Genovese family, disclosed the inner workings of the Mob. Valachi had been serving a 15-year sentence in the U.S. Federal Penitentiary in Atlanta, Ga., for narcotics trafficking. In June 1962, he believed that his boss, Vito Genovese, had given one of his fellow inmates a contract on his life. Valachi decided to strike first. He murdered the inmate. (Officials later learned that the inmate did not have a contract to kill Valachi.) Valachi felt his crime family had betrayed him and he wanted to avoid a death sentence for his crime so he decided to cooperate with law enforcers and McClellan. (Ryan 72, Albanese 42) Valachi was the first mobster to talk openly about La Cosa Nostra to a national audience.

In his five-day testimony, he carefully described the formal initiation process, the hierarchy, the history, the job titles, the job responsibilities and pretty much anything else investigators wanted to know. He said the Mob had 24 families in cities throughout the country and said the organization was called "La Cosa Nostra," not the "Mafia" as everyone was calling it. Much of the information he gave on crimes coincided with information that the Justice Department had. The accuracy of his testimony was debated for many years but Valachi put J. Edgar Hoover into a position in which he could no longer deny that La Cosa Nostra existed for many years. The FBI's investigation of organized crime now became intense.

#### The President's 1967 Commission

On March 8, 1965, President Lyndon Johnson launched the President's Commission on Law Enforcement and the Administration of Justice to evaluate all aspects of the U.S. criminal justice system. The commission, which was divided into task forces, thoroughly examined crime in America and one task force focused on organized crime. The commission published its reports in 1967 and became commonly called the President's 1967 Commission. The reports made organized crime a national concern and they

revealed the weaknesses in law enforcement's ability to confront organized crime. The commission's work led to several pieces of legislation involving the investigation of organized crime, the most important one being the Organized Crime Control Act of 1970.

### The Witness Protection Program

The Organized Crime Control Act revolutionized how law enforcers battled organized crime. It provided the Witness Protection Program which gives immunity, protection and housing to certain government witnesses. The program helps law enforcers get cooperation from informers who, often for good reasons, fear for their lives to testify. The program also attracts informers by helping them relocate to safer places, by finding them jobs and by giving them new identities. The program isn't necessarily for someone who by chance saw a crime; it is intended for someone, such as a partner in crime, who has first-hand experience with a defendant. (Ryan 84) Many mobsters, especially those with Mob contracts on their lives, have come to realize that they are safer in the Witness Protection Program. Two informers who entered the program, James Fratianno and Salvatore Gravano, will be discussed shortly.

### The Racketeer Influenced and Corrupt Organizations Act

While the Witness Protection Program was a major boost for prosecutors, the Organized Crime Control Act's most important provision was the Racketeer Influenced and Corrupt Organizations Act. This is the one piece of legislation that has truly wreaked havoc on organized crime. The RICO Act is designed to punish participation in an organized crime group. It facilitates the prosecution of organizations that influence and benefit from crimes, not just the individuals who commit the crimes. Instead of arresting a single criminal, law enforcers determine who the person is working with and for, and then they arrest the entire structure at once. This helps prosecutors convict the underlings who do the dirty work and the well-insulated top echelon. Before the RICO statute came along, an incarcerated mobster could return to his job in the Mob after his release, or someone else could take his job while he was in prison. This did little if anything to stop Mob activities. The RICO Act changed all that, but not overnight. Prosecutors rarely used the statute because they didn't realize its full potential. In August 1979, members of a think tank at the FBI office in New York City were trying to think of new ways to tackle La Cosa Nostra and they decided to attend a seminar by G. Robert Blakey, a professor at Cornell University Law



School in Ithaca, New York. Blakey and Sen. John McClellan wrote the RICO Act and Blakey was frustrated that it wasn't being used so he decided to explain the statute to law enforcers in a series of seminars. The think tank liked what it heard and returned to its office with enthusiasm but it met resistance from supervisors and senior managers who realized that taking the RICO approach would require the bureau to completely restructure its investigative tactics. No longer would a single agent investigate individual cases; RICO would require teamwork, an alteration of the Hoover Establishment. The think tank then invited Blakey to address the resisters. He spoke to them for several hours before winning them over. (Diarmuid 86, 87) Thanks in part to the FBI's decision to develop a new organized crime-fighting strategy, the 1980s was a devastating decade for La Cosa Nostra.

#### James Fratianno and the Witness Protection Program

The usefulness of the Witness Protection Program was fully realized in September 1977 when James Fratianno, a former boss of the Los Angeles family, became the highest ranking La Cosa Nostra member to enter the program and testify against his fellow mobsters. In August 1973, about four years before entering the program, Fratianno began secretly and casually meeting with FBI Special

Agent Lowell Lawrence in hotel rooms. They met several times and Fratianno discussed his bookmaking and loan-sharking activities, and his pet peeves. He told Lawrence that Los Angeles family boss Dominic Brooklier's old alias was Jimmy Regace, and that Brooklier and Las Vegas mobster Arthur DiMaria had killed a rival thug in Los Angeles, Neddie Herbert, in July 1949. The FBI paid Fratianno \$16,000 for the information even though it was rather worthless.

Fратианно was in the Chicago family and living in San Francisco when, in 1975, Brooklier was sentenced to 20 months in prison. A soldier in the family, Louis Dragna, was then asked to fill the top spot during Brooklier's jail term. But Dragna owned a clothing business, the Roberta Co., and thought he would be too busy to run the family on his own so he asked Fratianno if he would transfer to Los Angeles to co-run the family. Fratianno accepted the job but continued to live in San Francisco. Brooklier was released from prison on Oct. 28, 1976 and he reclaimed his role as the Los Angeles family boss in early February 1977 by demoting Fratianno to soldier. The demotion all the way down to soldier so humiliated Fratianno that he decided to distance himself from Brooklier. Fratianno's independence infuriated Brooklier and he soon after threatened to kill Fratianno.

On May 16, 1977, *Time* magazine ran a cover story called "THE MAFIA/Big, Bad and Booming" in which Fratianno was named in the first paragraph. The article described him as the Gambino and Chicago mobsters' point man in the West. It also said he "made up to 16 hits as the Mob's West Coast executioner." The story, which did not mention Brooklier, startled Fratianno and it came when he didn't want publicity. He feared the article would further inflame the already envious Brooklier. In August 1976, an Irish group in Cleveland tried to gain control of the city's criminal activity from the La Cosa Nostra family there. Daniel Greene and John Nardi, a Cleveland Teamsters union official, led the Irish group. Cleveland family underboss Leo Mocerri disappeared on Aug. 22, 1976 and was presumed dead because his car was found in a Holiday Inn parking lot near Akron with blood in it. The Cleveland Mob blamed the Irish group. Fratianno was a former member of the Cleveland family and was still well-connected to it. In late May 1977, shortly after the *Time* story, Fratianno stopped in Cleveland on his way to New York where he was going to see a friend of his, Frank Sinatra, in concert. In Cleveland, the Mob boss there, James Licavoli, told Fratianno that a family associate, Pasquale Cisternino, was going to put dynamite in a car which would be parked next to Nardi's car at the Team-

sters office. When Nardi was going to enter his car to go home, Cisternino would detonate the explosives with a remote control switch. Licavoli also told Fratianno that the murder would occur soon and that Fratianno should leave for New York soon to avoid more attention. On May 30, 1977, *Time* ran another story that mentioned Fratianno. The article said that at the (mob-controlled) Westchester Premier Theater, Frank Sinatra and his co-host, Dean Martin, had to share audience attention with several audience members, some of La Cosa Nostra's top echelon including Fratianno. The story also said Fratianno had stopped in Cleveland to visit Mob friends en route to New York on the day a bomb tore John Nardi apart as he started his car. Fratianno was not amused.

Shortly after, a good friend of his - Anthony Delsanter, the Cleveland family's *consigliere* (counselor) - died from a massive heart attack. At the funeral in Cleveland, Licavoli told Fratianno that a woman they knew who was working in the FBI's Cleveland office had access to the names of mobsters who were serving as informants for the FBI. Licavoli said she identified two snitches, Tony Hughes and Curly Montana, and had two more names on the way. After leaving the funeral, Fratianno panicked since he thought one of the names on the way would be his. He realized that if he was identified as a snitch,

the Mob would almost surely kill him. Lowell Lawrence had since retired from the FBI but Fratianno decided to call him anyway to tell him about the Mob's connection to the FBI in Cleveland. Lawrence was extremely grateful for the tip. Fratianno felt if he wouldn't have called Lawrence, the woman would have revealed his name, but now that he did call, the Mob could find out about that too. He was a loser either way.

A few days later, Fratianno met Assistant Special Agent in Charge James Ahearn and Special Agent Charles Hiner, both from the San Francisco FBI field office, in a San Francisco hotel room. Ahearn told Fratianno that they would need his help identifying the woman and that he would have to return to Cleveland to get more information from his Mob friends. Fratianno reluctantly agreed to return. In Cleveland, on Aug. 24, 1977, Fratianno learned about the upcoming murder of Daniel Greene but nothing more about the FBI woman. (The FBI would soon learn that the leak was Geraldine Rabinowitz, a file clerk. She and her husband - Jeffrey, a car salesman - pled guilty to two counts each of accepting bribes totalling \$15,900. Both were sentenced to five years in prison.) When Fratianno met with Ahearn again in September 1977, he told Ahearn he believed there was a contract on his life. On Oct. 6, 1977, Greene had just walked out of his den-

tist's office and had entered his car when a Chevrolet Nova in the adjacent parking spot exploded. Cisternino built the bomb and another Cleveland family associate, Ronald Carabbia, detonated it.

Fратианно was driving around in San Francisco in his silver Cadillac with Frank Vellotta - a professional burglar who owned a dry cleaning business, Select Cleaners - when they noticed that a red and white Ford Thunderbird was tailing them. Frатианно punched the gas, turned down a side street and spun his car around to play chicken with the Ford. At the last second the Ford veered to the right and then disappeared down a side street. The next morning Vellotta told Frатианно that the Ford had followed him to his business that morning. Vellotta added that he got the Ford's license plate number. Frатианно then called his loansharking collector, Bennie Barrish, and gave him the license plate number. Barrish was well connected to the San Francisco Police Department and learned that the Ford belonged to Joey Hansen, a member of Anthony Spilotro's crew and a known killer. Spilotro was a Chicago family soldier who coordinated the family's affairs in Las Vegas. Frатианно realized he was at the end of the line and decided that somehow he was going to avenge all the mobsters who had betrayed him. He no longer trusted anyone and decided to meet with Ahearn again.

Meanwhile, a Cleveland family associate, Raymond Ferritto, confessed and implicated everyone who was involved with Daniel Greene's murder, including Fratianno. Assistant Special Agent in Charge Joseph Griffin in Cleveland asked Ahearn to arrest Fratianno. Ahearn decided to arrest Fratianno by trapping him in a hotel room. When Fratianno knocked on the hotel room door two FBI agents were waiting in the bathroom and two more were in an adjacent room. Ahearn opened the door, let Fratianno in, sat him down on a chair facing away from the hiding agents, handed him the murder warrant and then told him he was under arrest. The other agents rushed in and handcuffed Fratianno behind his back and one agent read him his rights. They then went to the Federal Building downtown. In Ahearn's office, Fratianno was uncuffed and the two were back on a friendly basis. Fratianno said he wasn't in Cleveland when Greene was killed. Ahearn said he didn't have to build or detonate the bomb to be charged with murder one; he only had to be part of the conspiracy. Ahearn asked Fratianno how much detail he could give on the Los Angeles family. Fratianno said, "Everything you'll ever need to put the whole bunch away for a long time." But he said he wanted immunity and protection in return. (Demaris 36-431)

While in the Witness Protection Program, Fratianno testified before numerous grand juries and court trials, which led to far more convictions than can be mentioned here. However, a few cases are worth mentioning. In fall 1978 he helped convict six people who were accused of violating security laws and looting the Westchester Premier Theater into bankruptcy. Sentences ranged from one to six years. Frank Velotta was accused of burning down his dry cleaning business to collect \$60,000 from his insurance company. He was charged with mail fraud for using the U.S. mail to collect the fraudulent insurance payment. He was sentenced to six months in prison, two years probation and forced to return the \$60,000 to his insurance company. In May 1979, Fratianno testified in the case against Cleveland mobsters accused of bribing the FBI leak. Two of them, Thomas Lanci and Anthony Liberatore, were convicted. In Florida, a Chicago family soldier, Marshall Caifano, was convicted of possessing and transporting \$4 million in stolen securities. He was awaiting his sentence when Fratianno testified that Caifano was involved with the murder of Louis Strauss, a gambler and blackmailer. Caifano was sentenced to 20 years in prison. In San Francisco, Teamsters union official Rudy Tham was found guilty on four misdemeanor charges involving the misuse of union funds and 15 felony



embezzlement counts. Tham was sentenced to six months in prison and fined \$50,000. (Demaris 432-435) Fratianno's June 1980 testimony in New York led to the four-count indictment of Genovese family boss Frank Tieri. He was one of the first Mob bosses convicted under the RICO Act. In 1982, Cleveland family boss James Licavoli was charged with murder, conspiracy, illegal gambling and violating the RICO statute. He was sentenced to 17 years in prison. (Ryan 102) The list of convictions goes on and on.

#### Salvatore Gravano and the Witness Protection Program

Gambino family boss John Gotti's extraordinary ability to evade convictions in several trials ended when his underboss, Salvatore "Sammy the Bull" Gravano, testified against him in 1992. Like Fratianno, Gravano entered the Witness Protection Program and helped put dozens of mobsters behind bars. Gotti was convicted of violating the RICO Act and is serving a life sentence without parole in a prison near Marion, Ill. Since completing his five year sentence in 1995, Gravano has lived in seven states and has been given a new identity. Although Gotti issued a \$2 million contract on his life, Gravano chose to leave the Witness Protection Program in 1997. (Maas 6-8)

## La Cosa Nostra's Decline

The FBI's attack on La Cosa Nostra may have been delayed but, thanks mainly to the RICO Act, it eventually proved to be rather successful. Starting in 1979, the Mob families in New Orleans, Los Angeles, Kansas City, Providence and Boston would be severely crippled if not virtually eliminated. In 1988, all 17 high-ranking members of Philadelphia's Bruno family, including boss Nicodemo Scarfo, each received sentences of 30 to 55 years.

La Cosa Nostra's ruling body, the Commission, consisted of leaders from four of New York City's five families and from the Chicago family. (New York's Bonanno family had members on the Commission until the early 1980s when the family became a shambles.) In 1985, six members of the ruling panel were charged under the RICO Act in what became known as the Commission Case. Genovese family boss Anthony Salerno, Lucchese family boss Anthony Corallo and underboss Salvatore Santoro, Colombo family boss Carmine Persico, underboss Gennaro Langella and soldier Ralph Scopo were each sentenced to 100 years in prison. (O'Brien 363)

After a host of other cases and convictions throughout the country, too numerous to mention, today's La Cosa Nostra struggles. Although the Mob's decline is in many ways the result of relentless law enforcement efforts,

other factors must be considered also. Having so many mobsters involved with litigation meant there was blame within to spread. This resulted with many La Cosa Nostra members simply killing each other, most notably Gambino family boss Paul Castellano whose White House was bugged by the FBI. (The bug was installed in the base of a lamp in his kitchen.) Castellano had just been indicted in the Commission Case but on Dec. 16, 1985, before going to trial, he and his underboss, Thomas Bilotti, were shot to death while walking into Sparks Steak House on Manhattan's east side - a gruesome event masterminded by one of their ambitious underlings, John Gotti. Not all internal Mob killings were based on revenge; they were often used to eliminate a member in litigation who could potentially squeal. While prosecutors used the legal system to get mobsters off the streets, the mobsters themselves used a quicker, more efficient method.

Besides the Machiavellian ruthlessness it inflicted on society, there were other reasons for La Cosa Nostra's rise to power and wealth. An undermining of these factors also led to the Mob's eventual decline. The old school Mob leaders from the 1930s and 1940s, such as Charles "Lucky" Luciano, espoused and enforced *omerta*, the absolute code of silence. The existence of La Cosa Nostra was to be denied by its members at all costs, and a violation

of *omerta* was punishable by death. La Cosa Nostra was "The Honorable Society" and membership demanded allegiance above family and God. The new school of mobsters, such as John Gotti, are more careless, independent and rebellious. Successful traditional mobsters like Carlo Gambino and Paul Castellano were quiet and subdued, and they avoided attention. Gotti was the flashy, flamboyant "Dapper Don" who craved attention, and thus attracted attention to the Mob. Most importantly, while the old-style leaders detested drug trafficking, the new breed thrived on it. And not only did they deal drugs, they often used drugs, thus clouding their ability to think and reason. In sum, many of the newer mobsters tend to reject the values that made La Cosa Nostra successful.

Just as the Irish and Jews experienced when they first came to America, the Italians too were shunned by other ethnic groups and had difficulty finding jobs. Some businesses posted signs in their front windows saying they would not employ Italians. The newly arriving ethnic groups who felt rejected established their own small communities. A Little Italy could be found in almost every major American city. A vast majority of Italians were honest, productive workers who contributed much to American culture. But a few who realized they weren't being given the opportunities they deserved decided to take the

opportunities. If hard work was not enough to achieve the American Dream, than an alternative method was to be used. Those who used this alternative method, and made it into an enormously successful enterprise, often did so not for themselves, but for their families, their grandchildren and sometimes their communities. As boss of New York's enormously powerful Gambino family in the 1960s and 1970s, Carlo Gambino made a fortune. In 1991, his two sons, Joseph and Thomas, donated \$2 million to the Long Island Jewish Medical Center's Children's Hospital. Indeed, some mobsters exceeded the American Dream. When they walked down the street, people knelt before them. When they entered a restaurant, they were given the best table and special service. They lived and were treated like royalty. But more importantly, many of them created an environment for their families which allowed their children to attend college, move to the suburbs and select legitimate employment. The former boss of New York's Bonanno family, Joseph Bonanno, wrote in his 1983 autobiography, "My oldest son had been married the previous year, and, with any luck, he would become a lawyer, a professional man. I was on top of my world." (Bonanno 186-187) Many of these parents paid their dues in the treacherous world of La Cosa Nostra so their children could live comfortably outside of the underworld. This

meant that as years went on, there was less need for La Cosa Nostra, another reason for La Cosa Nostra's decline. These children are living the American Dream, which is exactly what the original mobsters wanted in the first place. So maybe La Cosa Nostra has achieved its ultimate goal after all.

### The FBI's New Challenges

Law enforcers and prosecutors have learned many tricks on how to battle La Cosa Nostra, from using legislation like the RICO Act, to using modern surveillance techniques. The FBI no longer employs only clean-cut non-minority males; it tries to employ agents who can more easily infiltrate organized crime groups, as former Special Agent Joseph Pistone did with New York's Bonnano family in the 1970s and 1980s. The FBI has entered a new era in which organized crime is much different than it was 10 and 20 years ago. The bureau faces new challenges with the new ethnic crime groups. Law enforcers face language and cultural barriers when investigating Chinese and Russian organized crime groups. Chinese criminals in America use over 12 dialects. In the 1970s and 1980s, local, state and federal law enforcement agencies had very few, if any, officers and agents who could speak Russian or Chinese well enough to infiltrate or gather

information from the crime groups. The FBI faces a new level of sophistication with Russian organized crime. Authorities must figure out how these complex crimes work before they can prosecute. The bureau won't disclose its current crime-fighting techniques for fear that such information will end up in the wrong hands but by examining Chinese and Russian crime groups in America, this thesis will offer insight into what the FBI faces today and help us determine which of the two crime groups poses the greatest threat to American society.

## CHAPTER III

### IMMIGRATION AND THE EMERGENCE OF OTHER ETHNIC CRIME GROUPS IN AMERICA

#### Introduction

A study of modern organized crime would be incomplete without at least a brief look at recent immigration trends. Ethnic crime groups emerging in America did not come here alone; they generally came with a vast majority of law-abiding immigrants with the same ethnicity. Members of an ethnic group who come to America tend to settle in the same community together, whether the members are law-abiding or not. In fact, we will learn in Chapter V that Chinese crime groups commit most of their crimes against their fellow Chinese immigrants. The beginning of this chapter will therefore briefly discuss immigration. Also, to help us understand Russian and Chinese crime groups in the context of modern organized crime, this chapter will discuss two other important, but less threatening, emerging ethnic crime groups, the Japanese Yakuza and Jose Miguel Battle's Cuban Corporation. Exploring these two groups will help us understand the characteristics of emerging crime groups before we compare Russian and Chinese organized criminals.



## Recent Immigration Trends

In the last 20 years, America has become the home to a vast number of people from all corners of the world. Our culture is being enriched and diversified and our big cities are being transformed much the same way they were between 1901 and 1910 when almost 9 million people, mainly Europeans, immigrated to America. Between 1981 and 1990, about 10 million people moved to America, and about half of them did so illegally. In the 1990 census, 19.7 million foreign-born people were counted in America, more than ever before. Today's "huddled masses" are from Brazil, Cambodia, China, El Salvador, India, Jamaica, Japan, Mexico, Nigeria, the Philippines, Russia, Vietnam, and many other countries. Since 1977, about 80 percent of the immigrants have come from Latin America and Asia. In 1970, 10 percent of Americans were of African, Asian or Hispanic descent. In 1990, the percentage jumped to about 25. About 600,000 people annually immigrate to America and this trend is expected to continue. (Schmidt 169-170, Kleinknecht 77)

## Immigrants With Bad Intentions

Many of these immigrants have revitalized urban neighborhoods that were dilapidated or even abandoned. They've opened convenience stores, hair salons, restau-

rants and other types of businesses in buildings that were once boarded up. Some areas that used to look like war zones are now thriving business communities. These immigrants have injected many things, from new types of food to new types of music, into American culture. Unfortunately, not all immigrants are interested in earning an honest wage. The Jamaican posses killed over 1,400 people between 1985 and 1988 in their attempt to control crack cocaine markets in several urban areas. Vietnamese crime groups roam from city to city robbing and extorting merchants in their stores and in their homes. They commit their crimes and then hop on the highway to do the same thing in another city. By the time the crime investigations begin, the gangsters are already out of town.

(Kleinknecht 6-7) Those from other countries - including Cubans, Dominicans, Haitians, Japanese, Koreans and Ukrainians - have also imported crime groups. Many of these groups are filling the void left by the ailing La Cosa Nostra and are trying to satisfy America's continuing appetite for illegal goods and services. We will now discuss two of these groups.

### The Japanese Yakuza

Organized crime groups have a long history in Japan and are collectively called "Boryokudan" which means

"violent groups," or "Yakuza" which is the more common term. Starting mainly in 1992, the Yakuza has become active in the California area, Guam, and in Hawaii where one Yakuza group reportedly owns \$150 million worth in real estate. (Ryan 57) Japan's National Policy Agency said Yakuza had about 81,000 members in about 3,000 groups and subgroups in 1995, and grossed over \$14 billion in revenue that year. (Criminal Investigative Division 18) The main crimes Yakuza commits in America include money laundering, investing in or infiltrating legitimate business, drug trafficking, gun smuggling and illegal gambling. (Criminal Investigative Division 42)

The term "Yakuza" comes from a card game in which a worthless hand consists of the cards 8, 9 and 3, pronounced "ya," "ku," and "za." When Japan's feudal system collapsed in the 1600s, the Samurai warriors were no longer needed. Their worthlessness led them to adopt the name "Yakuza." (Ryan 57) They then became violent criminals who engaged in illegal gambling. They gained control over large sections of Japan's major cities and recruited most of their members from the ghettos. (Criminal Investigative Division 18)

Japan's post-World War II social and economic changes allowed the Yakuza to control the black market and expand their criminal activities. The Yakuza penetrated

Japan's political and business communities and members became respected in Japanese society. Yakuza members carried business cards and shared office space with lawyers and stockbrokers. (Ryan 57) They were also known for their attraction to Cadillacs and European luxury cars. (Abadinsky 268, 269) In 1992, the Japanese government began cracking down on Yakuza and - on March 1, 1992 - enacted the Law Concerning Prevention of Unjust Acts by Boryokudan (Yakuza) Members. These laws, and the deglamorization of Yakuza in Japanese society, drove many Yakuza operations underground and overseas. (Criminal Investigative Division 19) Since the laws were enacted, some Yakuza groups have disbanded and some members have left their groups.

The Yakuza, one of the world's largest criminal confederations, has centralized authority and a highly developed hierarchy. Japanese officials believe that about 65 percent of Yakuza's members belong to four groups which operate in America: the Yamaguchi-gumi, the Sumiyoshi-kai, the Inagawa-kai, and the Toa Yauji Jigyo Kumiai. The largest Yakuza group, the Yamaguchi-gumi, has about 20,000 members in over 700 subgroups. It uses its American real estate holdings to launder and invest its illegal funds from Japan. The Sumiyoshi-kai has about 7,500 members in 343 subgroups and it smuggles firearms

and traffics drugs in the California area. The Inagawa-kai has about 6,700 members in 313 subgroups, some of whom operate in California. This group mainly launders money and violates firearm laws. The Toa Yau Jigyo Kumiai, with its 850 members in six subgroups, traffics drugs in Hawaii with help from its associates in the California area. (Criminal Investigative Division 19)

Yakuza members travel abroad more than members of any other organized crime group, likely because of their involvement in smuggling illegal goods. Most guns seized in Japan originate from America. Intelligence sources believe the Yakuza are increasingly arming themselves to facilitate their crimes, and increasingly smuggling Tokarev pistols from Russian sources. The Yakuza is also deeply involved with drug trafficking. Over 33 percent of Yakuza's 1994 profits came from illegal drug sales. Yakuza's drug of choice is "ice" - an easily-made, smokeable drug similar to methamphetamine - and Yakuza members, associates or front companies control most "ice" labs. Japan's National Policy Agency believes the Yakuza increasingly uses narcotics trafficking to compensate for financial losses in other areas. (Criminal Investigative Division 42)

The Yakuza also mixes its illicit profits from Japan with its legitimate investments in America, which are

usually in real estate. Identifying the source and flow of this money from Japan to America is difficult for the FBI since money laundering is legal in Japan. (Criminal Investigative Division 18) The real estate they purchase in America is often developed into golf courses, casinos and other types of tourist attractions.

In regards to Yakuza, international law enforcers are concerned mainly with its vast economic power, its involvement in prostitution and its knack for bribing public officials. The Yakuza is expanding its American activities from Hawaii and California to Las Vegas, Portland, Seattle, Boston, Newark and New York. The FBI fears the Yakuza will try to extort money from legitimate businesses in these areas. By developing relationships with associates in areas throughout America, the Yakuza does not have to be physically present to have an influence in the area. The Yakuza also works with other groups such as La Cosa Nostra, Chinese and Korean crime groups, and Colombian drug traffickers. (Criminal Investigative Division 42, 44) The FBI and Japanese authorities are increasingly cooperating to battle the problem.

Jose Miguel Battle and His Cuban  
Corporation

Lieutenant David Green was a seasoned organized crime investigator for the Broward County Sheriff's

Department north of Miami when, in 1984, he posed as an Irish-American tavern owner and placed a bet with a Miami bookmaker, Alfonso Ramos. Green, possibly one of the nation's leading authorities on bookmaking, was amazed when he learned that Ramos set no limits on the amount a gambler could wager. A drug dealer from Ocala, Florida once plunked down \$250,000 on one bet. Green had trained investigators from 35 states how to infiltrate their local bookmaking operations. The investigators reported back to Green what they were learning and Green ended up with a wealth of information. Ramos was reportedly linked to the Corporation, a Cuban-American crime empire run by multimillionaire Jose Miguel Battle. Green said in 1993 that he considered Battle the nation's "king of illegal gambling. You could take all of the Mob families in the country and you won't find one as strong as this." (Kleinknecht 250)

The Corporation is based in southern Dade County but its tentacles reach to New York City, New Jersey, Los Angeles, Houston and Tampa. Law enforcers and former Corporation members testified in the Presidents Commission on Organized Crime hearings in 1985 and said the crime group had about 2,500 members. The Corporation was allegedly linked to over 30 unsolved murders and controlled over 700 numbers outlets and banks in New York City,

where it annually grossed about \$45 million. The numbers game is a form of lottery in which a person bets that a certain three-digit combination will appear in numbers regularly published in newspapers. The media give Battle little attention, mainly because the public considers the numbers game a harmless crime.

Interestingly, Battle has his roots in a CIA operation. When the corrupt Fulgencio Batista was Cuba's president, he was cozy with La Cosa Nostra and realized Havana had the potential to be a major tourist attraction for Americans. In 1953, Batista invited La Cosa Nostra's financial wizard, Meyer Lansky, to reform gambling in Cuba and to convert Havana into a tourist magnet with luxury hotels and casinos. (Lacey 226) Thanks to the Mob, tourism was on the rise and jobs became plentiful. When Fidel Castro ousted Batista in 1959, many of those in Cuba's underworld - including police, businessmen, government officials and the mobsters themselves - fled to America. The CIA recruited and trained some of these Cuban exiles to overthrow Fidel Castro's communist regime. Some of the soldiers who invaded Cuba, in what was called the Bay of Pigs invasion, weren't necessarily interested in ejecting Castro; they just wanted to return to the cushy jobs they had when Batista was president. But after the 1961 invasion failed, these shady soldiers



returned to America with their knowledge of weapons and explosives. One of these veterans was Jose Miguel Battle, a former vice sergeant in Cuba's national police who knew Lansky in Havana. Battle was in Brigade 2506 and was promoted to a second lieutenant in the U.S. Army. (McGee 1A, Kleinknecht 244) Some of these veterans, including Battle, went into organized crime in America.

Battle opened the first Cuban-controlled gambling operation in Miami before moving in the mid 1960s to Union City, N.J., the home of the largest Cuban-American community outside of Southern Florida. In Union City, at age 38, he opened a go-go bar and soon became known as *El Padrino*, the Godfather. He associated with a captain in the Bonanno crime family, Joseph Zicarelli, who allowed Battle to run the numbers games in Union City and West New York as long as he gave a percentage of his earnings to La Cosa Nostra. Battle ran his activities out of a store in which jewelry and religious items were sold. By then his operations involved nine major Hudson County and upper Manhattan banks. (Kleinknecht 244) He expanded his dominion by recruiting other Bay of Pigs veterans to seize the territories of independent numbers game operators. Battle's henchmen would eliminate an uncooperative rival by attaching a hand grenade to the bottom of his car and, with fishing line, tie the grenade's pin to a

wheel. When the car moved and the wheel turned, the pin would be removed from the grenade which would then explode. Arson became a weapon of choice against uncooperative store owners. A few henchmen would enter the store, dump gas on the floor, toss a lit match and run. (Kleinknecht 245).

Battle's career almost ended in 1977. He had ordered one of his hit men, Carlos Hernandez, to kill another one of his hit men, Ernestico Torres, who had bungled the kidnapping of an East Coast gambling "banker," Luis Marrero. Torres knew he was in trouble so he fled to a Miami suburb, Opa-Locka. Instead of killing Torres, Hernandez went to Opa-Locka and warned Torres. When Battle learned about the betrayal, he sent down three other men, including Julio Acuna, to make the hit. On June 16, 1976, the men entered Torres' apartment and, with a silencer-equipped revolver, shot his girlfriend, Idelia Fernandez, in the head and chest while she was watching *General Hospital* on television. (Fernandez survived this incident but was murdered in New York 18 days before she was to testify against Acuna on Dec. 17, 1984.) Torres was sleeping when Acuna put a bullet right between his eyes. Soon after, Hernandez was still fearing Battle's vengeance when Hernandez was arrested on a weapons charge in Union City. He then ratted on his former

boss. In November 1977, Battle was convicted of solicitation and conspiracy to murder but the Third District Court of Appeal overturned the verdict. (Messerschmidt 2D, Kleinknecht 245, 246, McGee 1A) Battle later pleaded guilty to murder conspiracy and was sentenced to time already served, two years.

Battle's son, Jose Miguel Battle Jr., and an associate, Abraham Rydz, became key players in the Corporation which gradually shifted its base to Southern Florida. In 1982, Battle Jr. and Rydz invested in legitimate South Florida businesses including El Zapotal Realty Inc. and the Union Financial Research Co. Inc., a company formed in 1971 by Miami financier Hugo Acebo. The Battle family and Rydz also invested \$1.1 million in Dade County real estate in 1982. Battle Jr. and Rydz bought homes on Key Biscayne, and Battle Sr. bought a home and a ranch on 19 acres, called Rancho el Zapotal, at 17249 SW 192nd St. in Southwest Dade. At the ranch, Battle grew fruit trees and raised many dogs and fighting cocks.

On April 8, 1983, Battle Jr. and Rydz were preparing to board a Miami-bound jet at the John F. Kennedy International Airport in New York when a suspicious security guard asked to look inside their three carry-on bags. Authorities found they were carrying \$439,504 in bundles of cash wrapped as Christmas presents. Police also found

documents Battle Jr. had torn up and thrown into an ash-can revealing that the Corporation's New York City gambling operations raked in \$2.1 million in one week. (McGee 1A, Kleinknecht 236).

By August 1985, Battle Sr. controlled over 700 gambling outlets and banks in New York and New Jersey. An armed caravan of cars collected the take from the outlets each week. (McGee 1A) On May 11, 1987, *The South Florida Business Journal* ran a story listing South Florida's 50 wealthiest people and families. With an estimated worth of \$175 million, Battle was in the 28th position. He tied with Generoso Pope Jr., who owns *The National Enquirer*, *The Weekly World News*, and *Video Digest*. (Fogarty 24, 25) In the text that accompanied the list, Battle was described as follows:

Lives in Miami and New York, age 58. A former Havana vice cop, he reportedly is chairman of nationwide Cuban organized crime group involved in gambling. Known as El Padrino, he spends most of his time at heavily guarded ranch in South Dade. Gambling take reported nets \$50 million a year. Estimated worth, by undercover agents, \$175 million. (Fogarty 18)

Battle - who sometimes stayed at an estate in Lima, Peru - has hundreds of video poker machines in stores, bars and other businesses in South Florida's Hispanic communities. The Corporation has one of the nation's best-financed sports betting rings. It hides its earnings in Swiss banks, money laundering schemes and legitimate

businesses in Florida and New Jersey. Battle was known for laundering his money by buying thousands of lottery tickets in Puerto Rico and selling them in America. He would use his illicit proceeds to pay the winner the amount that the winner had coming. Battle would then cash in the winning ticket and collect the prize money from Puerto Rico. (Kleinknecht 250, McGee 1A)

In January 1990, Metro-Dade police officers listened to wiretapped telephone conversations for 12 days and learned that Battle's men were illegally wagering on pro and college football and basketball games. One bookmaker accepted over \$175,000 a week in wagers and another bookmaker accepted over \$160,000 over the 12-day period. The bookmaking operation allegedly continued until February 1994. (Epstein 2B)

The organization expanded in Florida and New York, most notably into sections of Harlem that the Genovese and Lucchese crime families used to control. Some law enforcers in New York believe Battle became so powerful in the city that he no longer had to give a percentage of his income to La Cosa Nostra. The Corporation told a Harlem candy store owner, Jose Salazar, to stop selling numbers but he refused because he was having difficulty paying his rent. In early May 1993, two men entered the store with gasoline and torched the place, seriously

burning Salazar's wife, Leny. On May 3, 1993, the New York Daily News ran a story on the arson and a profile on Battle. Fearing attention, Battle moved to Peru. (Kleinknecht 252)

On June 24, 1994, about 120 federal, state, and local law enforcers searched 21 homes and businesses throughout Dade County believed to be linked to Battle. Authorities - who seized over \$350,000 in cash, several guns, ledgers and other items - said the businesses were used to launder Battle's gambling proceeds. He was still in Peru and his Dade home was not searched. On Jan. 5, 1995, state prosecutors charged 12 of Battle's men with running a sports bookmaking operation that raked in hundreds of thousands of dollars a week. (Epstein 2B)

Battle, a non-U.S. citizen, returned to America before Dec. 18, 1996, when federal agents smashed through the iron gate at his estate with a truck to raid his home and arrest him. Battle wasn't home so the agents and the Metro-Dade SWAT team waited for him to arrive. When he did, authorities arrested him for affixing his picture to two altered U.S. passports that belonged to Alfredo Walled and Franklin Pena. Battle presented the passports as his own while in Peru and on the south Caribbean island of Curacao in 1995. (Robles 1B [Dec. 19, 1996])

The crime may seem trivial but it was a crime they could

directly pin on Battle, in much the same way Al Capone was convicted of income tax evasion.

Also while in Peru, Battle was separated from his wife and remarried Evelyn Runciman twice, once under a name from an altered passport and once under his real name. When they moved to Miami, she married Battle's nephew without divorcing Battle. Runciman was also arrested for altering a passport but was released on \$50,000 bond. Battle was 67 when he was arrested and Runciman was 21. Authorities who raided Battle's home confiscated \$92,800, ledgers recording a gambling business and three weapons. (Robles 4B [Dec. 20, 1996])

On March 13, 1997, Battle pleaded guilty to altering passports. (Herald Staff 2B) Under the sentencing guidelines of his passport fraud plea, he would serve up to a year. In May 1997, he was charged with possession of a Mossberg 20-gauge shotgun which was found in his bedroom closet during the raid. Battle, a felon, was not allowed to have weapons. At 68, Battle has serious health problems too. He has diabetes, hypertension and end-stage kidney failure, and undergoes dialysis treatments every Monday, Wednesday and Friday. Battle is housed in Ward D of the Jackson Memorial Hospital where he is awaiting a kidney transplant. (Davies 1A [Aug. 17, 1997]) On Oct. 7, 1997, Battle was found guilty of illegal gun possession

and now faces up to six years in prison for that conviction. As of Oct. 8, 1997, U.S. Senior District Judge James King was expected to hand down his sentence on the passport conviction within a few weeks and as of this writing (Nov. 18, 1997), U.S. District Judge Alan Gold scheduled sentencing on the gun conviction for Dec. 18, 1997. (Davies 1B [Oct. 8, 1997]) Authorities believe Battle Jr. will take over as the Corporation's boss. (McGee 1A)

#### The Japanese Yakuza and the Cuban Corporation in Perspective

As we will more fully realize when we reach Chapter VI, there are significant differences between the Yakuza, the Corporation and the Russian and Chinese groups. The Corporation's main crimes, which involve the numbers game and video poker machines, are lucrative but arguably cause less harm than what other groups do. The Corporation in general affects only people involved with these games, and not the average American. Also, the activities of Battle's group are somewhat regional, mainly the South Florida/New York areas. The Yakuza is sophisticated and operates at the international level but in America, operations are mainly on the West Coast. The Japanese group's crimes are serious and increasingly diverse, but its ability to affect the average American is, for now at



least, somewhat limited. As we will learn, the Russian group is very sophisticated and able to affect many people. The Chinese group's crimes, such as narcotics trafficking, are very serious and often involve extreme violence. Now that we better understand the world of modern organized crime, we can explore the two main emerging groups which operate in it.

## CHAPTER IV

### RUSSIAN ORGANIZED CRIME IN AMERICA

#### Introduction

Since the emergence of Russian organized crime groups in America is a rather recent phenomena, the study of these groups here is still in its infancy. This chapter's sources include the FBI, academics, journalists, and an analysis compiled by the New York State Organized Crime Task Force, the New York State Commission of Investigation, the New Jersey State Commission of Investigation, and the Pennsylvania Crime Commission. In comparison to other ethnic crime groups in America, Russian organized criminals are unique in that many of them were previous members of the political elite in Russia, or the former Soviet Union. Other ethnic crime groups generally operate independently of a government but in Russia, organized criminals and government officials were often one and the same. Since the role of organized crime in Russia is relevant to this study, the chapter will begin by briefly discussing this role. We will then explore the spread of Russian organized crime to America and each aspect of how these criminals operate here.

## Organized Crime in Russia

Although Russian organized crime has become a major problem in America only since the late 1980s, it has been plaguing its native country considerably longer. Reports of organized crime in Russia became more common in the late 1980s during the early stages of *glasnost* (openness) there. In its coverage of the problem, the Western press described the types of organized crime and how they became a major concern for Russian law enforcers. The 4,000 to 5,000 criminal groups operating in the Soviet Union flourished due to corruption in the state apparatus and the Communist Party. (Finckenauer 249) Russia has three levels of organized crime groups. The elite type, called "thieves in authority," consists mainly of former top government bureaucrats and Communist Party officials. The professional type, called *vory v zakone* (thieves in law) resembles America's La Cosa Nostra. The lower, less sophisticated type emerged onto the crime scene after the Soviet Union's collapse and its members are generally now in their late teens to mid 30s.

The elite organized criminals illegally trafficked legal goods and services which were scarce due to the Soviet Union's inefficient, centralized economic system. The scarcity of these goods and services led to a high demand for them. The members of this group abused their

high-level positions to commit their sophisticated form of white-collar crime. Many of them have a good education and international connections. They also have enough knowledge and experience to commit international banking schemes and to traffic black market nuclear materials. Of the three crime group types, the thieves in authority have the potential to wreak the most havoc in Russia and America. (Tri-State 29)

The professional criminals, or thieves-in-law, operate in many cities throughout the Commonwealth of Independent States. This group resembles America's La Cosa Nostra in terms of internal discipline, bonding rituals, the hiring of killers, international links, rules and codes of behavior, and their own lingo. (Finckenauer 249, 250, Tri-State 27) Also, just like La Cosa Nostra, a prospective member needs the recommendation by a current member to join, and the initiation ceremony is usually elaborate. (Kleinknecht 283) They traffic luxury goods and narcotics, and they work with Russian organized criminals in America. Many members of this group are hard-core criminals and ex-cons (specifically from the Gulag prison system set up by Stalin in the 1930s). (Tri-State 26)

Russia's lower-level criminal groups engage in burglary, murder, pornography, prostitution, extortion and

black marketing. They also traffic drugs, weapons and stolen cars. (Finckenaue 250) Some of these criminals are college graduates or former military personnel who believe, due to Russia's struggling economy, that decent, legitimate jobs are scarce and that crime can pay their bills. Members in this group tend to be less hard-core than those in the other two groups. (Tri-State 28)

#### The Spread of Russian Organized Crime to America

Many of these criminals nearly perfected the art of organized crime in Russia in part by having to constantly evade the Soviet Union's feared secret police and intelligence agency, the KGB. Also, due to the Soviet Union's endless amount of bureaucratic paperwork, these mobsters mastered the processes of forgery and counterfeiting. (Kleinknecht 272) When they came to America, they quickly and easily adapted their skills to the considerably freer, less bureaucratic American society. In the early and mid 1970s, the KGB carefully collected many free and imprisoned hard-core criminals and dumped them in America and Western Europe. These criminals were to penetrate and destabilize legitimate immigrant communities abroad and Western societies in general. Also, profits from Russian organized crime in the West funded clandestine KGB operations here. After he served 10 years in labor camps for

rape and burglary, the KGB sent Nikolai Ogorodnikov and his wife, Svetlana, to America. In 1985, the couple was arrested for passing classified FBI files from FBI agent/mole Richard Miller to the KGB. In a U.S. federal court, Nikolai was sentenced to eight years in prison, Svetlana was sentenced to 18, and Miller received 20. (Adams 34, 35, Friedman 28)

Many Russians moved to America after 1988 when the Soviet Union eased its immigration restrictions, most notably to Brighton Beach in southern Brooklyn, New York. This area, just east of Coney Island, has America's largest Russian immigrant community. About 61,000 Russians came to America in just 1991. About 350,000 Russians were living in America in 1996 but obtaining exact counts can be difficult since many Russians came illegally or have overstayed their tourist visas. The number of visas issued to Russians, Ukrainians and Belarussians jumped from about 3,000 in 1988 to about 129,500 in 1992. About 15 percent of these people stayed in America after their visas expired. Federal agents and the New York City Police Department believe about 500 Russian organized criminals are in New York alone. Most Russian criminals in America are here legally even though many of them have criminal records in Russia. (Finckenauer 252, 253, 257, 262, Kleinknecht 283, Tri-State 6, 8)

Besides New York, Russian organized crime groups have been identified in Boston, Cleveland, Denver, Houston, Los Angeles, Miami, Philadelphia, Sacramento, San Diego and San Francisco. FBI field offices in 25 other U.S. cities have investigated Russian organized crime groups. (Freeh maps) These groups, which operate in a type of confederacy called the *Organizatsiya* (Organization), are active mainly in the New York/New Jersey/Pennsylvania area where the Russian immigrant population is greatest. A Rutgers University research team mailed questionnaires to 750 federal, state, county and local law enforcement agencies nationwide to determine the extent of Russian organized crime in America. Of the 484 respondents, 167 said that from 1991 to 1995 they contacted, investigated or prosecuted criminals or suspected criminals from the former Soviet Union. Forty-seven agencies said they had dealt with over 20 Russian criminals, and 65 agencies considered Russian organized crime a major problem in their jurisdictions. (Tri-State 47)

Russian crime groups can be ruthless, disloyal and greedy and they have less structure and secrecy than La Cosa Nostra. With many members being educated professionals, they are perhaps America's most intelligent, sophisticated crime group. (Finckenauer 257) Unlike other ethnic crime groups of the past and present, the Russian

groups didn't start as street gangs. They came to America with the skills that allowed them to commit sophisticated crimes almost immediately after arriving. They engage in extortion, forgery, counterfeiting, confidence schemes, narcotics trafficking, murder, prostitution, tax and insurance fraud, jewelry and gold coin switches, theft, arson, and the infiltration of legitimate business. Most of their crimes involve some type of deception.

Their earliest victims included major credit card companies, banks and the Internal Revenue Service. With complex shoplifting and burglary rings, they stole millions of dollars in merchandise from major department stores. (Kleinknecht 277) One early Russian crime group became known as the Potato Bag Gang because its members would trick Russian immigrants into buying sacks of potatoes at inflated costs by claiming that the sacks were full of antique gold rubles. (Finckenauer 258, 259, Kleinknecht 277, 278) Like many ethnic crime groups, the Russian criminals prey on innocent members of their own ethnic community. But unlike most other ethnic criminal groups, the Russian criminals were quick to victimize the community at large. (Kleinknecht 278)

Law enforcers believe Russian crime groups work with other ethnic crime groups including La Cosa Nostra and the Colombian cartels. This cooperation will be discussed



throughout the chapter. The next six sections will discuss the different types of crimes Russian mobsters in America commit, including crimes of deception and fraud, nuclear weapons/materials smuggling, auto theft, narcotics trafficking, violent crimes and money laundering.

### Crimes of Deception and Fraud

This section will reveal that Russian mobsters are masters of deception. The fuel tax fraud is probably the most lucrative and well known crime they've committed but they do engage in other types of scams, such as those involving medical insurance, telecommunications in California, credit cards and counterfeiting.

With the fuel scam, the Russian mobsters would run wholesale fuel companies that annually evaded paying up to \$5 billion in state and federal excise tax. Under federal law, fuel wholesalers had to collect taxes on their sales and then give the tax to the IRS. The scheme involved No. 2 oil which can be used as taxable diesel fuel or nontaxable home-heating oil. The Russian criminals would pose as owners of home-heating oil companies when buying No. 2 oil. With confusing paper trails, they would pass the oil through a string of bogus companies and sell it as diesel fuel. The mobsters kept the taxes they collected from their customers. This can really add

up in a state like New Jersey where the total tax due on a gallon of diesel fuel is 41.9 cents. After learning about the scam, the IRS and law enforcers would realize that the companies had been dissolved and that the names of the companies' owners were phony. (Kleinknecht 273, Finckenauer 261, Tri-State 12)

Each of these companies was basically a mail drop, a telephone and an answering machine. The owners frequently changed the companies' names, used couriers for collecting cash and opened bank accounts under phony names. These companies were called "daisy chains." New Jersey and New York State are especially vulnerable to this type of fraud since they have many refineries and fuel distributors. (Finckenauer 262)

Lawrence Iorizzo owned a Long Island fuel company and claimed he started the fuel scam. In 1981, La Cosa Nostra members tried to muscle in on his scheme so he went to Colombo family underboss Michael Franzese for help. Franzese became a partner and protected the company from other La Cosa Nostra members. (Tri-State 13) The pair worked with Russian mobsters. In 1984, a federal task force on Long Island busted the scheme and Iorizzo was indicted for stealing \$1.1 million in fuel taxes. He joined the Witness Protection Program and testified before the oversight subcommittee of the House Ways and

Means Committee that a former partner of his, Martin Carey, skimmed tax money from Iorizzo's company. Iorizzo said Carey used the money to help fund the campaign of his brother, New York Governor Hugh Carey. In 1987, when Mario Cuomo was governor, the counsel to New York's Crime and Correction Committee, Jeremiah McKenna, called for a hearing to investigate Iorizzo's charges. Cuomo, who ran as Carey's running mate as lieutenant governor in 1978, then forced McKenna to resign, saying McKenna was spreading false and malicious stories. Iorizzo's charges were never investigated. (Friedman 38) Iorizzo later left the Witness Protection Program. (Sterling 163) Unfortunately, Russian mobsters kept the scheme going.

Besides cheating the government out of taxes, this scam can also force honest, tax-paying wholesalers out of business. The bogus wholesalers sell the fuel at a lower cost than the legitimate wholesalers can afford to sell their fuel at, thus driving many honest companies out of business. (Tri-State 13)

Leo Liebowitz was the chief executive officer of a legitimate, mid-size gas station chain called Power Test. Liebowitz realized he could no longer compete with other stations who were selling cheap gas bought from Russian mobsters so he decided to join the scheme. He told his company counselor, Robert Eisenberg, and one of his dis-

strict sales managers, John Byrne, to buy gas from the mobsters. Byrne, Eisenberg and a top Russian criminal, Marat Balagula, started their own daisy chain that sold gas exclusively to Power Test. Power Test made so much money that it managed to buy the Getty Petroleum Corp. from Texaco Inc. in 1985. Liebowitz dropped the name "Power Test" and adopted the "Getty" name for his \$1.3 billion company. *Forbes* magazine called Liebowitz one of America's most brilliant businessmen. (Friedman 36) Even with Iorizzo out of the picture, agents of the federal Organized Crime Strike Force in Brooklyn in 1985 estimated that the mobsters controlled or supplied a third of the New York City area's fuel dealerships. (Adams 36)

By 1986, Balagula was king of all fuel scams in America. He and his Russian underlings controlled seven terminals, a fleet of trucks and over 100 gas stations. And La Cosa Nostra wanted a piece of the action. After Franzese, Colombo family member Frank Sciortino and a Gambino soldier extorted over \$500,000 from the Russians, Balagula forged an alliance with the Genovese and Lucchese families. (Friedman 38) La Cosa Nostra eventually controlled all of the New York area's daisy chains. (Tri-State 13) The Russians paid two cents per gallon to the bosses of four of New York City's five La Cosa Nostra families, which amounted to an estimated \$42 million a

year. (Friedman 36) Cops corrupted by La Cosa Nostra protected the Russians. (Sterling 162) The scam gradually spread from the New York/New Jersey area to Pennsylvania, Ohio, Georgia, Florida, Texas and California. (Tri-State 13) In 1986, at the height of his power, Balagula was convicted for his involvement in a debit-card fraud. (Friedman 40)

In 1991, Getty Petroleum was accused of selling daisy chain fuel and fined \$400,000. Byrne and Eisenberg became government witnesses and escaped prosecution. Liebowitz was never indicted but another Getty executive was convicted. (Friedman 36) Again, the Russian mobsters continued the scheme.

A Gambino family captain, Anthony Morelli, and several Russian mobsters created a fuel tax scheme that netted about \$100 million. In May 1991, the FBI and the IRS set up a phony fuel company in Ewing Township, New Jersey, which would compete with Russian mobsters' companies. A Gambino family associate, Edward Dougherty, soon after approached the undercover agents and told them they would have to pay a tax to the Mob. The investigation, code named Operation Red Daisy, led to the convictions of 12 people, including six Russians in 1993. (Kleinknecht 274)

Also in 1993, a federal grand jury in Pennsylvania indicted 15 people and two businesses involved in a \$15 million scam. In New York, 18 people, including five Russians, were charged in connection with a \$34 million scheme. In 1995 in New Jersey, 25 people, including 15 Russians, were charged with involvement in a \$140 million scam. (Tri-State 14)

Several measures have been developed to battle the problem. Under a law that the New Jersey legislature passed on July 1, 1992, wholesalers must pay taxes when they draw the fuel from the terminal instead of after they sell the fuel. Also, No. 2 oil to be used as home-heating oil must be dyed red. Law enforcers who find clear oil in a home-heating oil truck can assume that the oil and the truck belong to a tax-evading company. The Federal Highway Trust Fund, the recipient of fuel excise taxes, predicted in 1994 that the new laws would lead to a \$1.3 billion jump in revenues for 1995. That is money that would otherwise go mainly to Russian criminals.

However, these clever mobsters devised another fuel-tax scheme. They buy gasoline and diesel fuel in New Jersey and then sell it in New York where taxes are higher. The criminals pocket the difference between what they pay in New Jersey and what they receive from their customers in New York. In other words, they don't pay the extra tax

money to New York State, an amount estimated to be \$1 million per week. In one case of this type of crime, New York State lost an estimated \$20 million in tax over an 18-month period. (Seidel 1, 2)

Another crime of deception Russians committed involved insurance fraud. In the mid to late 1980s, a Russian group in Los Angeles committed one of the largest medical insurance frauds in U.S. history. The group, led by former Soviet scientist Michael Smushkevich, set up about 350 bogus medical clinics and mobile labs and offered patients free physical exams and diagnostic tests. The group also employed doctors, technicians, clerks and administrators. The group submitted phony, inflated bills totalling over \$1 billion to insurance companies claiming that the group had rendered medical services prescribed by doctors. The criminals charged health insurers an average of about \$8,000 per patient. Rejected claims were often resubmitted under a different clinic name. The scam spread to Missouri, Illinois and Florida. The illicit proceeds were laundered through about 500 shell companies, many of which they set up, and foreign banks. The mobsters drove Rolls-Royces and Lincolns, and threw lavish parties at Hollywood restaurants. The group illegally obtained between \$50 million and \$80 million from California insurance companies

before federal, state and local agencies busted the scheme in 1991. (Elliott 34, Tri-State 14) Smushkevich, his wife, his brother, David, and 10 others were indicted. David Smushkevich testified against his brother and received probation. On Sept. 20, 1994, Michael Smushkevich was sentenced to 21 years in prison for fraud, conspiracy, racketeering and money laundering. He was also ordered to pay over \$41 million in restitution, \$2.75 million in fines, and forfeit \$50 million in assets.

Insurance companies have been victimized in other ways as well. In the early 1990s, a Russian group in Pennsylvania faked auto accidents and submitted over \$1 million in bogus claims to insurance companies. Victor Tsan - who owned a medical clinic in Bucks County, Pa. - and Alexander Zaverukha ran the scam. They staged eight accidents and brought the "injured" participants to the clinic to be treated for non-existent injuries. A federal grand jury indicted Tsan, Zaverukhan, a doctor who worked at the clinic, and six others in 1995.

Russian groups have also targeted Medicare and Medicaid by submitting bills to these programs for services or merchandise never rendered, including medical exams, ambulance rides and medical equipment. In 1986, 13 Russian criminals sold cheap shoes to Medicare recipients



and then billed Medicare for expensive orthopedic shoes, netting the criminals thousands of dollars. (Tri-State 15)

A Russian crime group posing as representatives of Volvo International who were interested in promoting luggage conned a luggage distributor in Suffolk County, N.Y., out of tens of thousands of dollars in luggage. (Kleinknecht 278)

Many Russian groups operate internationally. With one scheme, representatives of governments or private companies in the former Soviet Union agree to buy millions of dollars worth in goods or technology from companies in America run by Russian criminals. The criminals require down payments before sending the goods. The fraudulent companies in America receive the payments and then disappear before sending the goods to the buyers. (Tri-State 16) In January 1992, four Russian mobsters - Lev Breskin and Alexander Korogodsky of New Jersey, and Yakov Portnov and George Yosifian of New York City - started a bogus company in Manhattan before going to a trade expo in Russia where they met customers who wanted computers, medicine, coffee and other products difficult to get in Russia. The interested parties included 24 Russian businesses and a charity for victims of the 1986 Chernobyl accident. The mobsters requested payments in

advance before delivery. They received \$5.7 million but never delivered the goods, and in a March 1996 federal indictment they were charged with conspiracy, wire fraud and money laundering. (Tri-State 17, Freeh 19)

Russian and Armenian mobsters in the Los Angeles area developed a telecommunications scam that involves duplicating cellular telephones. The criminals steal electronic serial numbers from legitimate customers' cellular phones and program the numbers into computer chips, thus duplicating the phones. The problem is growing rapidly and spreading to Northern California. One Hollywood-area cellular station was losing \$2 million a month from this scam.

Russian criminals illegally copy other items as well. Many of them have mastered the art of counterfeiting credit cards, checks, passports and visas. The mobsters often market these phony items to members of their Russian community and other Russian mobsters. The Tri-State Joint Soviet-emigre Organized Crime Project determined that

the counterfeiters first obtain account information from legitimate credit cards by stealing legitimate cards, obtaining credit card receipts from dishonest vendors, or copying account numbers while peeking over the shoulder of unsuspecting credit card users. (Tri-State 17)

The criminals then encode the legitimate account information onto another card's magnetic strip. This

other card may be stolen, over its credit limit, or illegally made by the criminals. They then use the card to buy items from unsuspecting retailers or crooked retailers who are in on the scam. The goods are charged to the legitimate credit card holder's account. This can happen even if the account number on the magnetic strip does not match the account number on the card since cashiers rarely match the card's number with the number that the card's issuing bank transmits to the retailer. One group of Russian mobsters sold bogus, low-quality Visa cards to other Russian immigrants in Brighton Beach. Each of the cards had a hawk in the hologram instead of a dove and each card had misspellings on the back side. The criminals were successful until the U.S. Secret Service arrested them in 1992. Members of another group that used bogus cards to buy over \$120,000 worth of items in California, Illinois, Massachusetts, New York and Pennsylvania were caught in 1993. (Tri-State 18, 19)

A ring of five Russian mobsters counterfeited about \$17 million worth of U.S. currency and about \$4 million worth of traveler's checks, and circulated them in Chicago, Los Angeles, New York and Poland. Four of the criminals were charged in August 1989 and later convicted, and the fifth mobster, Roman Kolompar, became a fugitive. (Tri-State 18) The U.S. Secret Service, the New Jersey

State Police and other law enforcement agencies have caught Russian mobsters using, or trying to use, bogus currency and traveler's checks to get cash and/or playing chips at casinos in Atlantic City, N.J. (Tri-State 22)

### Nuclear Weapons/Materials Smuggling

One of the FBI's main concerns involving Russian organized crime at the domestic and international levels is the smuggling of nuclear weapons/materials to terrorists or rogue nations. These weapons could be targeted to U.S. soil or to areas abroad where Americans visit or work. Since Russia can't afford to keep track of all of its military hardware and corruption has run amok, Russian criminals are finding ways to tap into the mighty arsenal and either keep weapons for themselves or sell them to eager Middle East customers, including Iran, Iraq, Libya and Syria. AKM assault rifles, mortars, rocket-propelled grenades and shoulder-launched anti-aircraft missiles are ending up in the hands of criminals and international arms brokers but the main concern involves the accessibility of 30,000 nuclear warheads stockpiled throughout four independent republics. Tactical nuclear warheads and artillery shells weighing under 100 pounds are easily transported. (A warhead is the section of a missile containing the explosive, chemical, or

incendiary charge.) Iranian arms buyers frequently visit Kazakhstan, a former Soviet republic with about 2,000 nuclear warheads. The British press reported on Jan. 24, 1992 that Iran bought three nuclear weapons from Kazakhstan for an estimated cost of at least \$5 million each. (Adams 38, 39)

Law enforcers also worry about the smuggling of materials used to make nuclear weapons. The theft and spread of radioactive materials has become a problem throughout Eastern Europe and Eurasia. Significant amounts of cesium in Lithuania and uranium in the Czech Republic have been seized. About 45 tons of radioactive zirconium metal headed for America were intercepted in Cyprus. Also, the Canadian Customs Service seized in Canada radioactive isotopes en route from Russia to America. (Freeh 4, 5) A French TV crew caught on film a Russian mobster and a lawyer from a Western company negotiating the transfer of a kilogram of weapons-grade uranium for \$500,000. In another case, a Russian mob boss and a plain clothed Russian army officer met with Iraqi agents in Fribourg, Switzerland, to sell four kilos of uranium for a total of \$3.5 million. At least one canister of the uranium reached a temporary storage site en route to Iraq. (Adams 39)

### Auto Theft

Authorities in Northern California believe Russian mobsters may be shipping stolen vehicles abroad for an auto theft group which operates in Northern California, Oregon and Washington. The group's younger members steal vehicles which are then stripped. The chassis are left where law enforcers can find them, and then they are taken to salvage yards where the auto thieves buy them. The group's older members run body shops where stolen auto parts are used to rebuild the vehicles. The thieves also buy vehicles at salvage yards for their vehicle identification numbers, which are switched to stolen vehicles. The rebuilt vehicles are then taken out of state where they are reregistered to hide or clear the salvaged title. Russian criminals allegedly ship many of these vehicles to Europe and Russia through Seattle, Oakland and other port cities.

### Narcotics Trafficking

The FBI and the Drug Enforcement Agency believe that Colombian cocaine on its way to Western Europe frequently passes through the Commonwealth of Independent States. But in America, Russian criminals are not extensively involved with narcotics distribution. This section will briefly discuss eight cases that involve Russian crimi-

nals. Some of the cases will illustrate a growing trend law enforcers are closely monitoring: the cooperation between Russian crime groups and other ethnic crime groups, such as the Colombian cartels and La Cosa Nostra.

The FBI is concerned about narcotics being smuggled into America and with narcotics being smuggled over other countries' borders. America, criminals in America, and associates of criminals in America are often entangled in trafficking that occurs abroad. Relaxed borders in the Commonwealth of Independent States and improved telecommunications systems have led to an emergence of narcotics trafficking in, or through, the former Soviet Union.

Major drug traffickers, such as the Colombian cartels, are always seeking new markets, many of which are in Europe and the former Soviet Union. The cartels have learned that Eastern Europe and the former Soviet Union are prime transshipment routes to Western Europe.

(Elliott 33) Russian mobsters import heroin from Southeast Asia and from poppy fields near Chernobyl, where the poppies are large and radioactive. (Friedman 26, 27)

In the early 1990s, Russian criminals from New York and Los Angeles were trying to open a narcotics distribution route from Florida to Detroit and New York. The criminals were working with Costa Rican drug traffickers and were arrested in St. Augustine, Fla., for conspiracy

and intent to import 800 kilograms of cocaine. U.S. authorities later learned that the Russians and the Sicilian Mafia were planning to transport a large quantity of cocaine from Colombia to Italy.

In April 1992, the Drug Enforcement Administration busted a 13-member heroin smuggling ring in New York, including nine mobsters working out of Brighton Beach. The drugs came from Southeast Asia, passed through Warsaw and were sold to La Cosa Nostra distributors. (Adams 38)

The U.S. Attorney for the Southern District of New York prosecuted 16 people charged with distributing heroin and cocaine in 1992. Two of the defendants, David Podlog and Alexander Moysif, were Russian.

A joint venture between Russian criminals, a Colombian cartel and an Israeli group became apparent in February 1993 when Russian law enforcers in St. Petersburg intercepted 1.1 tons of cocaine packed in cans labeled as corned beef. The cocaine passed through Finland before it was seized. (Elliott 33, Tri-State 21)

Also in 1993, 24 people led by four Russians were charged with making crack cocaine vials in New Jersey and Pennsylvania. Law enforcers seized over \$1 million in cash, several vehicles, stock portfolios and other property during the arrest.



Some Russian criminals in America are cozy with the cocaine-smuggling Colombian cartels. One of them, Vladimir Beigelman of Brooklyn, worked with the Cali cartel. Two Hispanics fatally shot him in the face while he was exiting a van in Queens on Dec. 2, 1993, allegedly for his involvement with a large amount of missing cocaine.

Five Russian mobsters - Boris Nayfeld, Shalva Ukleba, Alexander Mikhailov, Simon Elishakov and Valery Krutiy - were charged in 1994 with smuggling, distributing and selling heroin which came from Southeast Asia, through Poland and into America. (Tri-State 21, 22)

Tracey Hill, an alleged courier for a Russian crime group, was arrested in February 1995 in Redding, Calif., on her way from the Los Angeles area to Vancouver, British Colombia, for possession of 18 kilograms of cocaine.

### Violent Crimes

Just like La Cosa Nostra, the Organizatsiya uses violence as a means of internal discipline, as a way to settle disputes, as a way to enforce agreements, and as a way to further its criminal pursuits. Russian criminals kill their own, and witnesses are either hard to find or often refuse to cooperate with authorities. For these and other reasons, the circumstances surrounding murders that

involve Russian mobsters often resemble the circumstances involving La Cosa Nostra murders. However, most attacks by Russians are thought to be motivated by greed or vendetta, and not committed to protect criminal interests. Some Russian criminals work as free-lance extortionists, and most extortions are opportunistic and not committed to obtain power or control. Victims are often carefully chosen and bystanders are rarely, if ever, hit.

Between Jan. 1, 1981 and April 20, 1995, there were over 69 murders or attempted murders involving Russian immigrants who were related to the tri-state area. A list of 69 incidents compiled by the Tri-State Joint Soviet-Emigre Organized Crime Project reveals each victim, perpetrator or both were involved in crime but not necessarily criminals. For example, some of the victims could have been innocent businessmen who refused to cooperate with Russian extortionists. Many of the victims knew, through a criminal relationship, the attacker or the person who ordered the attack. Out of the 69 victims, 58 died by or were hit by gunfire, five were either stabbed or bludgeoned to death, one, Boris Nayfeld, had an unexploded bomb found under his car, and another, Simeon Raichel, was severely beaten but survived. With four victims, the killing methods were not listed but one of them, Philip Moskowitz, was tortured before his death.

Hit men, possibly hired, sometimes committed the attacks, many of which were well planned. The attackers often distracted or tricked their victims before attacking them. Victims were often shot from moving vehicles or at close range in the head or chest. (Tri-State 19, 32-33, 53-63) In one case not included in the list, a gangster stabbed to death a rival's wife and, in following an ancient Russian custom, he gouged out her eyes, thinking that the eyes would record his image. (Adams 34)

Law enforcers have learned that trained assassins imported from Siberia and the Ukraine are committing contract murders in America. Using business or tourist visas, they get here, make the hit, and return home as quickly as possible. (Adams 38, Sterling 165) Finding these gunmen is nearly impossible for U.S. law enforcers. Also, Russian mobsters import fearless, well-trained Israeli commandos into America for protection. (Friedman 28)

### Money Laundering

Russian mobsters have developed sophisticated ways to launder their illicit proceeds. Two categories of money laundering by Russian criminals exist. With the first category, criminals in Russia transfer their proceeds made from crimes committed there to U.S. banks

where the money is laundered. The money is then returned to the criminals in Russia. With the second category, Russian criminals in America launder their proceeds in America. The first category tends to be more sophisticated and will be discussed first.

The proceeds that criminals in Russia launder tend to come from narcotics trafficking, fraud, illegal arms and antiques trading, theft and prostitution. The mobsters also steal from the Russian government. Forged documents were used to steal about 1.5 trillion rubles (over \$1 billion) from the government in 1992 and 1993. In 1994, the Russian Ministry of Interior said much of the estimated \$50 billion that illegally left Russia came to America. (Moody 5) The criminals launder the money in a string of phony companies including banks they set up throughout the Commonwealth of Independent States. The money is then transferred to tax havens such as Finland, Switzerland, Luxembourg and the Cayman Islands. (Switzerland and Luxembourg began cracking down harder on money laundering in 1993.) Large amounts of this money are then transferred to U.S. banks and converted into U.S. currency, and then returned to Russia where the money is invested in financial and industrial projects, real estate and banks. Electronic fund transfer systems can zip billions of dollars globally in seconds.

Solving these crimes is difficult since many legitimate Russian investment firms, banks, and other businesses engaging in international commerce need convertible currencies, such as U.S. dollars or German marks, to conduct business. Also, due to Russia's old technology, Russian companies trying to upgrade or expand their technology must exchange rubles for Western currencies to buy equipment from the West. (Tri-State 22) Determining which currency exchanges are legal and which ones are not is difficult for three reasons. First, transferring money between accounts is legal in America unless it is done for illegal reasons. Second, since most currency exchanges occur in other countries before the money enters and after it leaves America, following the money trail is almost impossible. Third, crimes linked to transfers are usually committed in the country where the money originates, so establishing jurisdiction over the crimes may be impossible for U.S. law enforcers even if they can prove the funds are illicit. (Tri-State 23) French police said criminals will intentionally commit a particular crime in several countries so that investigators will get mired in jurisdictional disputes. (Elliott 41)

In a 1994 case, several people helped Vladimir Levin - a computer hacker in St. Petersburg, Russia - use Citi-

bank's electronic money transfer system to steal \$10 million from the bank by circumventing its security system and wire transferring the funds to accounts in America, Finland, Germany, Israel, the Netherlands, Russia and Switzerland.

The mobsters have also smuggled money over international borders by hiding it in clothing or body cavities. Yuri Anatoliyevich, an extortionist and arms dealer, pled guilty in 1994 to smuggling \$1.2 million into America.

Russian mobsters in America have developed several ways to launder their illicit proceeds in America, and these schemes tend to be simpler than the laundering their counterparts in Russia commit. Russian mobsters involved in fuel tax scams have used their proceeds to buy vehicles in America which they then shipped to the Commonwealth of Independent States where they were resold at three to four times their cost in America. (Tri-State 23). Russian criminals have also laundered, or tried to launder, their proceeds through hotels and casinos in Atlantic City, N.J. The casino owners offer the Russian high rollers limousine service, luxury suites, meal and alcohol allowances, and seating at prime events.

Law enforcers realize that the potential for Russian money laundering is staggering. U.S. Federal Reserve Governor Edward Kelley Jr. said at a U.S. House of Represen-

tatives Banking Committee hearing in 1996 that he estimates up to \$500 billion is laundered through U.S. banks annually. Of course, Russian mobsters don't do all of this laundering but the figures show that the problem is serious and growing due to the increased use of electronic international banking. The manipulation of U.S. financial institutions could adversely affect America's economic stability. (Tri-State 24)

#### Vyacheslav Ivankov

Russian crime groups are not as structured as La Cosa Nostra families. Members of La Cosa Nostra tend to commit crimes to support their family but Russian mobsters tend to work together only to commit a specific crime or carry out a certain scheme. U.S. law enforcers believe Moscow's highest ranking thief in law, Vyacheslav Ivankov, came to America in January 1993 to better organize all Russian crime groups in America and to improve links between these groups and the crime groups in Russia. Ivankov - whose nickname was Yaponchik, or Little Japanese - was considered the boss of Russian organized crime in America, and a study of Russian crime here would be incomplete without a short profile on him.

Ivankov is a short, stocky man with an eight-pointed star tattooed on the front of each of his shoulders,

indicating that he is a thief in law. He has a long criminal history in Russia and in 1980 started Moscow's Solontsevskaya gang, whose members posed as police officers and robbed rich Russians' homes. In 1981, he was convicted of a burglary and sentenced to 14 years in Siberia's Tulun prison but he allegedly bribed a judge and was released in 1991. (Kleinknecht 284) A chartered plane flew him from Siberia to Moscow where a welcome-home champagne party was thrown at the plush Metropol Hotel. (Sterling 15) After violating his parole, Russian authorities began looking for him and he fled to America in March 1992. The Russian Ministry of Internal Affairs then told the FBI that Ivankov was en route to New York. On his visa application, he said he was in the film industry and lied about his criminal past. Federal agents could have deported him for lying about his past on his application, but they decided to let him stay so they could watch him.

Ivankov's cohorts supposedly gave him an apartment and luxury car out of respect. He lived mainly in Brighton Beach but he had an apartment in Denver, and met with Russian mobsters in Boston, Los Angeles, Miami, New York and Toronto. (Elliott 36, Kleinknecht 284) In November 1994, several of his mobsters began extorting millions of dollars from Russian and U.S. businesses. (Freeh 18) In



early 1995, the U.S. branch of his group in Russia had about 100 members and was America's strongest Russian crime group. (Kleinknecht 284) Ivankov used a cellular phone to instruct some of his mobsters to extort money from Alexander Volkov and Vladimir Voloshin, the Russian-born owners of Summit International Corp., a Wall Street investment firm. On May 25, 1995, the mobsters kidnapped the two men at the New York Hilton and took them to a room above the Troika Restaurant, a hot spot for Russian mobsters in Fairview, N.J. The criminals forced the two men to sign an agreement saying they would pay \$3.5 million. But law enforcers had listened in on Ivankov's cellular phone conversations and knew what was going on. After one conversation revealed that the father of one of the victims had been beaten to death on a Moscow subway platform, law enforcers decided to intervene. Ivankov was arrested at his girlfriend's house in Brooklyn on June 8, 1995. Eight other mobsters in the scheme were also charged with extortion. (Kleinknecht 285, 286)

#### Law Enforcement's Response to Russian Organized Crime

Russian organized crime is an international problem and the FBI is taking an international approach to deal with it. Highly-skilled senior FBI agents are increasingly working with law enforcers in Russia and other

countries on specific cases. The FBI agents abroad also warn their fellow agents in America about new and emerging international crime threats that could affect America. The FBI opened an office in Moscow to work with Russian police, and from July 1994 to May 1996, the number of cases worked on by FBI agents there jumped from 20 to over 200. (Freeh 4) During the decades of battling La Cosa Nostra, the FBI learned a few tricks, and passing on this knowledge to foreign police may be one of the FBI's most significant responses to Russian organized crime. By training Russian police how to fight organized crime, the FBI can deal with the problem before it even gets to America.

In May 1994, FBI Director Louis Freeh told a congressional committee that Russian organized crime became the bureau's top investigative priority when an internal survey of field offices in April 1992 counted 81 investigations involving Eastern European mobsters. (Kleinknecht 275) But the FBI did not set up a Russian organized crime unit until 1994, and in 1995, many top FBI officials admitted they still knew little about Russian crime in America. (Kleinknecht 277) Two of the bureau's main concerns involving Russian organized crime at the international level are the smuggling of nuclear weapons/materi-

als to terrorists or rogue nations, and narcotics trafficking. (Freeh 4, 5)

In 1995, the FBI and the U.S. State Department helped open the International Law Enforcement Academy in Budapest, Hungary. The academy is the main place where the FBI provides general and specialized training to foreign law enforcers. The academy offers an eight-week training program similar to the FBI National Academy Program at the Quantico Marine Corps Combat Development Command at Quantico, Va. Out of the 4,400 foreign law enforcers that the bureau trained in fiscal year 1995, 99 of them graduated from the program at the academy in Budapest. About 200 law enforcers from Albania, Belarus, Bulgaria, Croatia, Estonia, Hungary, Kazakhstan, Latvia, Macedonia, Moldova, Poland, Russia, Slovenia, and the Ukraine were trained at the academy in fiscal year 1996. Some foreign governments invite FBI agents into their countries to assess their law enforcement agencies' strengths and weaknesses. The FBI then advises the host governments and sets up one- and two-week training programs for their law enforcement agencies. Between Jan. 1 and May 1 of 1996, the FBI trained 212 officers from the Russian Ministry of Interior in programs in Russia and at the FBI National Academy Program at Quantico. The U.S. State Department - through the Freedom Support Act and

with Support for Eastern European Democracies Funding - covers the cost of most of these programs and the academy in Budapest. (Freeh 6, 7, 9) But attempted coordination isn't always fruitful. A 1993 meeting at Quantico between CIA and FBI lawyers ended sourly when the two groups couldn't decide how to share crime intelligence. (Elliott 41)

Even more troublesome, Russian law enforcers are often uncooperative when Western law enforcers seek information on Russian mobsters. Russia is a member of Interpol which is designed to increase cooperation between the police agencies in member states. But Moscow often fails to respond to requests for checks on Russian criminals found or arrested in the West. (Adams 39)

Investigating these criminals is difficult since very few U.S. law enforcers speak Russian. This makes infiltrating the crime groups nearly impossible. Before 1993, the New York City Police Department had almost no Russian-speaking officers. (Friedman 28) Even a cop who may speak Russian may not know all the language's peculiarities well enough to blend in with the mobsters. Translations of interviews with Russian suspects can be inaccurate. (Tri-State 3) This lack of language savvy can lead to other problems as well. One arson suspect wise on U.S. laws was released after his Miranda rights were read

to him in Russian. As a Ukrainian, he claimed he couldn't understand Russian. (Adams 35)

Also, recruiting a detective brave enough to watch the Organizatsiya took the New York City Police Department's intelligence unit two years. Russian mobsters are notoriously vicious and unlike La Cosa Nostra members, they won't hesitate to attack a cop's family. (Friedman 28) Another investigative problem involves the inability of law enforcers to convince law-abiding members of the Russian community to become informants. Russian immigrants who remember what living under an oppressive government is like tend to distrust the U.S. government and U.S. law enforcers. The immigrants are therefore disinclined to help law enforcers. (Tri-State 3) Law enforcers will not provide details on how they investigate Russian criminals or ethnic crime groups because they fear that the information will reach the criminals themselves.

The Organizatsiya is obviously a growing threat to America but it certainly isn't the only ethnic crime threat. Law enforcers have many challenges ahead of them as the cast of characters in organized crime continues to grow. In the next chapter we will explore a group that is in many ways as insidious as Russian crime groups, Chinese crime groups.

## CHAPTER V

### CHINESE ORGANIZED CRIME IN AMERICA

#### Introduction

Visitors in America's Chinatowns will often see bustling communities with an array of fish stores, restaurants, souvenir shops and much more. But behind the store fronts in back rooms often lurks a dark side where plans for smuggling heroin and prostitutes are devised, where business owners are forced to pay tribute to the local crime group, and where rivals are murdered. Chinese organized crime has become a menace that law enforcers fear will worsen. Although Chinese crime groups have a long history in their native land, their presence and power in America was not fully realized until the mid 1970s.

Although Chinese criminals began to make their mark in America roughly a decade before Russian criminals, the amount of information available on the two groups is about equal. This chapter's sources include the FBI, academics, journalists, the U.S. State Department and scholars of Chinese history and culture. We will begin by exploring the three levels of Chinese organized crime: the secret societies, the criminally-influenced tongs, and the street gangs. The chapter will discuss why they

started, what they are, and what they do in America. We will then discuss the types of crimes they commit.

### Secret Societies: Their Roots in China and Their Spread to America

In 1644, Mongol tribesmen overthrew the Ming Dynasty and set up the Manchu Dynasty. In the early 1800s, the West was pressuring the Manchu Dynasty to open China for more trade. South China had an excellent inland waterway system so most trade with the West occurred there instead of in North China, which engaged mainly in continental trade. (Chesneaux 33) Thus, the adverse effects from trade with the West were felt mainly in South China. A group in this region became so upset with the situation that it wanted to dethrone the Manchu Dynasty and to restore the Ming Dynasty. The group, called the Triad, consisted of three secret societies: the Heaven and Earth Society, the Brothers and Elders Society and the Small Knife Society. The Triad believed all people were equal and, with its plundering and pillaging, set out to take from the rich and give to the poor. Rich merchants and rural gentry led the societies to control them and to share in the plunder. The societies served as cadres for urban and rural peasants who wanted to revolt. Members were basically bandits and consisted mainly of artisans, vagrants and the destitute. China's public officials, the

mandarins, often negotiated with the Triad instead of crushing it. (Chesneaux 38, 39)

In the early 1830s, the Triad became very active. Members attacked military ships and the homes and headquarters of government officials. They terrorized those who refused to pay them tribute and, in general, behaved like the pirates who were wreaking havoc on the South's rivers and coastal region. (Chesneaux 46) The societies increasingly rebelled in the cities. The Small Knife Society controlled Shanghai beginning in 1853. Porters, boatmen and shopkeepers led the rebellion and proclaimed the restoration of the Ming Dynasty but the gesture was only symbolic since they had no one to claim the throne. The imperial troops, with help from the West, drove the rebels out in 1855. Other rebellions occurred as well. A branch of the Small Knife Society controlled Xiamen, a port city in the eastern province of Fujian, for a few months in 1853. The Triad-affiliated Red Turbans failed to seize Guangzhou, a port city in the southeast province of Kwangtung, after several months of fighting in 1854.

These rebellions were not isolated incidents but rather highlights of an ongoing problem. As the West continued to open China to trade, Chinese shipping workers continued to lose their jobs due to the shifting trade routes. (Chesneaux 116, 117) Also, goods became increas-



ingly transported on British and American steam ships instead of on Chinese junks. Between 1870 and 1880, the steam ships began to dominate China's inland and coastal waterways. (Chesneaux 178) Many of the country's unemployed boatmen joined the Triad. Peasants whose homes were destroyed in the fighting and troops discharged after the fighting also joined the societies. Many of the boatmen and troops joined the Brothers and Elders Society. (Chesneaux 117)

The societies continued to attack the homes and headquarters of government officials, the public granaries, the prisons and the homes of the rich, all in social protest and in discontent with the Manchu Dynasty. The Triad and the White Lotus group of secret societies from the rural North launched 49 rebellions between 1860 and 1870, and 55 more between 1870 and 1885. Due in part to their complicity with the robber bands who lived by murdering and plundering, the actions of the societies resembled ordinary banditry and pillaging. (Chesneaux 118) Thus, the peasants liked the societies because the societies hated the established order but they also feared the societies because of their brutality. Ironically, no clear difference existed between leaders of the societies and leaders of the establishment. Some members of the upper-class circles became society heads to obtain

clout while maintaining relations with their old elite cohorts. Some of these leaders went back and forth between the two camps, depending on what they could gain. (Chesneaux 119)

In late 1894, Sun Yat-sen of Guangzhou founded a secret society called the Revive China Society which, along with other Guangzhou-area societies, planned a rebellion which was to begin on Oct. 26, 1895. Their goal was to topple the Manchu Dynasty but the plot fell apart and Sun fled to Japan. (Chesneaux 307) He and his followers regrouped before he returned to China. Sun had an agreement with Japan that it would assist in a rebellion in Kwangtung. His forces - consisting of over 20,000 peasants, society members, Chinese Christians and others - gathered near Shantou, a city in Kwangtung, in early October 1900. They marched to Xiamen before Japan grew fearful of international complications and backed out. The rebels dispersed due to a lack of weapons but due to their effort, many young patriots decided to join them. (Chesneaux 339)

However, Sun and his followers did not initiate the rebellion that ended the Manchu Dynasty in 1911. Men from the province of Hupei's army who opposed the Manchu Dynasty joined the Literary Study Society. This society and the Common Advancement Association, which included

revolutionary intellectuals, seized Wuhan, a major city in Hupei, on Oct. 11, 1911. One by one, 10 of China's 16 provinces claimed their independence from Beijing in October and November of 1911. The Republic of China was established and on Jan. 1, 1912, Sun was named its president. (Chesneaux 370-372, 376)

Through Sun, the secret societies gained access to China's political power. He became a senior official in the Chung Wo Tong Society in Hong Kong and the Kwok On Wui Society in Honolulu and Chicago before dying in 1925. (Kleinknecht 101) By then, the secret societies had become full-blown criminal organizations, many of which could trace their lineage to the Triad. Sun and the society member who succeeded him as president, General Chiang Kai-shek, allowed the groups to engage in extortion, narcotics smuggling and prostitution. In 1927, the leader of Shanghai's Green Gang Society, Tu Yueh Sheng, was made a major general in the Chinese army and was allowed to illegally export opium from China.

Hong Kong increasingly became the base for the societies. The powerful Sun Yee On Society was formed there in 1919. After the Communist takeover of China in 1949, many societies, including the Green Gang Society, moved their operations to Hong Kong. Former members of Hung Fat Shan, the Guangzhou-based branch of the Heaven and Earth

Society, moved to Hong Kong and, in the early 1950s, formed the 14K Society. Thousands of American GIs who got hooked on Southeast Asian heroin during the Vietnam War took their habit with them when they left and the societies followed this market. Many soldiers were stationed in Europe so the 14K Society set up a branch in Amsterdam. Today, about 50 societies and society-related groups are based in Hong Kong and Taiwan, the most powerful being the Wo Hop To Society, the Sun Yee On Society and the 14K Society. The societies have controlled much of the island's entertainment industry and frequently infiltrated the Royal Hong Kong Police. (Kleinknecht 102, 103, Abadinsky 275, Criminal Investigative Division 11, 39, Sterling 153)

In 1996, the Hong Kong police estimated that the societies had tens of thousands of members. Many of their members live in or frequently visit America but studies show that many of the crimes they commit here do not benefit their society; members often commit crimes to benefit themselves. The societies typically do not have central authorities such as La Cosa Nostra families have. Society leaders typically do not control their underlings' activities. Membership merely provides access to more criminal opportunities. But societies that adhere to traditional rituals tend to be more organized and to have

a central authority. The societies, including those with members in America, often work with each other. Nonmembers with friends who are members generally tolerate and do not report on crimes committed by a society. Members in America often work independently from their societies in Hong Kong and typically engage in illegal gambling, extortion, murder, firearms violations, alien smuggling, drug trafficking and prostitution. (Criminal Investigative Division 11, 38)

The best known secret society is probably the 14K. It was led by a former army general, Kot Siu Wong, and gained prominence in Hong Kong by nearly monopolizing the flow of heroin from Southeast Asia. (Kleinknecht 102) The 14K Society is not well organized, has nearly autonomous subgroups, and has no sharply defined hierarchy. These subgroups frequently quarrel with each other and have quarrels within themselves. Investigating the 14K is difficult due to the diversity of the subgroups and diversity of their activities. Members and associates in San Francisco smuggle counterfeit U.S. currency from Hong Kong to San Francisco. (Criminal Investigative Division 39, 40)

The 47,000-member Sun Yee On Society performs traditional rituals and is well organized. This society is also linked to the Tung On Tong in America and the tong's

criminal arm, the Tung On Gang. Former and current Sun Yee On members have joined or worked with the criminal groups in America, most notably the Tung On Tong's New York City chapter. (Kleinknecht 142, Criminal Investigative Division 40)

The Wo Hop To Society's formidable tentacles emerged in the San Francisco area in the early 1980s. The society worked with the Bay Area's Hop Sing Tong and recruited members from the rival Wah Ching Gang into the tong. The Wo Hop To Society also absorbed two area Vietnamese gangs, including the Hung Pho Gang, The society's U.S. headquarters was the New Paradise nightclub in Oakland. It has front businesses and invites popular Chinese and Hong Kong entertainers to perform in America. It also engages in heroin trafficking, murder, gambling, extortion, loan-sharking, robbery, bookmaking and other crimes. One top member, Raymond Chow, ran a brothel in Pacifica, a city just south of San Francisco. The Wo Hop To's top man in America, Peter Chong, became known as the *lo yan ka*, or elder, of San Francisco's Chinatown. Chong fled to Hong Kong after authorities began cracking down on the society in 1992. (Kleinknecht 141-158, Criminal Investigative Division 40)

## Criminally-influenced Tongs in America

This section will discuss a different type of Chinese organized crime group. While Chinese secret societies are typically based in Hong Kong, tongs (and the gangs that will be discussed in this chapter) are typically based in America. The word *tong* simply means "meeting hall" or "gathering place." Tongs are fraternal associations, are registered as nonprofit organizations, and only some of them engage in criminal activity. To understand how and why they emerged, we must again go back in history, but this time to when Chinese began immigrating to America.

Chinese, mainly from the Kwangtung province, began immigrating to America during the California Gold Rush of 1848-49. The first American Chinatown was established in 1849 in San Francisco when about 300 Chinese met in a restaurant to elect a leader. In 1852, about 25,000 Chinese were living there. About 10,000 Chinese helped build the first transcontinental railroad in 1869 but Californians forgot this accomplishment in the 1870s when the Gold Rush died out and depression set in. The unemployed blamed the Chinese for taking American jobs and treated them as scapegoats. Dennis Kearney, who rose from financial ruin to become a political demagogue, whipped Californians into a frenzy of hate with the slogan, "The Chi-

nese must go." Some Chinese were lynched or forced to leave. Many of them headed to Chicago, New York, Philadelphia and other cities where they established new Chinatowns. As victims of this racism, the Chinese rarely mixed with whites. The Chinatowns became isolated pockets with little influence from the outside. (Kleinknecht 103, 104)

Dominant families or district associations controlled the Chinatowns. These groups rejected immigrants with rare last names and immigrants from small districts. Rejects could live in the Chinatowns but the controlling groups would not help them. These rejects then united to form tongs. (Chin 215) The tongs provided benevolent social and cultural support and helped newcomers find legitimate jobs or start legitimate businesses. (Criminal Investigative Division 9) The tongs accepted anyone and grew rapidly. Unfortunately, some tongs began to commit crime. The tongs eventually seized power from the dominant families and district associations in the Chinatowns. Of the 30 tongs that formed in America, some of the most active include the San Francisco-based Chih Kung Tong and two New York City-based tongs, the Hip Sing Association and the On Leong Chinese Merchants Association.



America's first tong, the Chih Kung Tong (spelled as "Chee Kung" by some), was formed in 1850 in San Francisco as the U.S. branch of China's Heaven and Earth Society. The tong helped raise money that funded Sun Yat-sen's rebellions against the Manchu Dynasty. The tong kidnapped women for prostitution, extorted money from merchants and brothels, opened its own brothels, opium dens and gambling halls, and bribed police. Most of the city's estimated 300 opium dens were in Chinatown. The area became such a spectacle of vice that guided tours were offered to whites who wanted to see it first hand. (Chin 215, Kleinknecht 105) Other tongs soon after formed in San Francisco and extremely violent turf wars ensued.

The most legendary tong wars occurred in New York City's Chinatown between the On Leong and the Hip Sing. The On Leong began in Boston in 1894 and moved to New York in 1904. The emerging Hip Sing picked a fight with the more established On Leong and the battle continued for over 20 years. The war claimed an estimated 350 lives in 1909 alone. Most of the violence occurred at a sharp bend on Doyers Street known as "Bloody Angle" where the killers would wait for their victims to turn the corner before striking. The violence became so bad that the Chinese government arranged a treaty between the two tongs in 1913 but the agreement later fell apart. By

1927, Bloody Angle became known as the deadliest spot in America. (Kleinknecht 107, 108, Abadinsky 277)

This violence led to major changes in Chinese immigration and in America's Chinatowns. The Immigration Act of 1924 diminished the flow of Chinese into America, and in the 1930s the Chinatowns either cleaned up their acts or disappeared. While gambling and some other crimes continued, the opium dens closed and the enslavement of Asian women in basement brothels ended. America had 28 Chinatowns in 1939 and only 16 in 1955. Crime became rare in the surviving Chinatowns. In 1964, only one arrest was recorded for a serious crime in New York's Chinatown. (Kleinknecht 108, 109)

Unfortunately, this trend ended. The Immigration and Naturalization Act of 1965 resulted with an influx of Chinese immigrants in America, especially in New York's Chinatown where the population grew to about 150,000 by 1980. The enclave expanded north into Little Italy, east into the traditionally Jewish Lower East Side, and surpassed San Francisco's Chinatown to become America's largest Chinese community. With this influx came a barrage of secret society-linked gangsters from Hong Kong's slums. For many of the Chinese immigrants who couldn't speak English, learning in the schools was difficult and decent-paying jobs were hard to find. (Kleinknecht 110)

Some of these immigrants turned to crime to make a living by joining tongs, street gangs, or both.

Chinese street gangs will be discussed in the next section but their relation to tongs will be discussed here. Tongs typically have gangs commit many of their crimes for them. The gangs, which are generally less sophisticated, typically use violence or threats of violence to protect the tongs' criminal interests. The tong's *fung jun* is thought to be the liaison to the gang and often instructs the gang leader, or *dai lo* (big brother). The *dai lo* then instructs his gangsters. Basically, the gangs do the tongs' dirty work. Using a chain of command to separate the actual crime from those who direct the crime makes prosecuting the tong leaders difficult - a tactic perfected by La Cosa Nostra. For their efforts, gang leaders are often promoted to their affiliated tongs. (Criminal Investigative Division 10, 33) Tongs are also known for working with the Hong Kong-based secret societies.

Tongs are typically well structured. They have a president, a vice president, a secretary, a treasurer, an auditor, and several representatives. Most tong members work outside of the tongs and have their own businesses. They elect the tongs' officers and pay their dues regularly but are not involved in the tongs' daily affairs or

decision making. Only the tongs' officers and employees run the tongs. (Chin 221)

The On Leong Chinese Merchant Association has 30,000 to 40,000 members and has chapters in 20 U.S. cities. The chapters in Atlanta, Baltimore, Boston, Chicago, Cleveland, Miami, Minneapolis, New Orleans, and Washington, D.C., as well as the New York base are all known to be criminally active. The On Leong works with the Ghost Shadows Gang. (Chin 221, Criminal Investigative Division 10)

The Hip Sing Association has tens of thousands of members and has chapters in 16 U.S. cities. The chapters in Atlanta, Baltimore, Boston, Charlotte, Cleveland, Denver, Houston, New Orleans, Portland, San Francisco, Seattle, and Washington, D.C. and the New York base are known to commit crimes including money laundering and illegal gambling. The Hip Sing works with the Flying Dragons Gang. (Criminal Investigative Division 10).

Three other tongs in New York City include the Tung On Association, Tsung Tsin Association and the Fukien American District Association. (Chin 216) Two San Francisco tongs besides the Chih Kung include the Hop Sing Tong and the Suey Sing Tong.

## Chinese Gangs in America

Many Chinese youths who came to America after 1965 faced many obstacles here. At schools, the teenage immigrants were often put in classes with young children. Also, American-born Chinese youths, or ABCs, ridiculed the newcomers and called them FOBs, meaning fresh off the boat. Some of these ridiculed youths united into gangs. San Francisco's Wah Ching (Chinese Youth) Gang was formed in 1964 and membership mushroomed after 1965. The gang originated as a legitimate movement aimed at convincing area businesses to give gang members jobs. The gang picketed San Francisco City Hall demanding jobs and recreation facilities. (Kleinknecht 110, 111) The gang's other goal was to protect its members from American-born Chinese. (Chin 217)

As the gang grew, it increasingly committed crime. In the late 1960s, the gang was extorting up to \$200 a month from area merchants. In 1968, area leaders met with the Wah Ching's leaders and told them to stop terrorizing the community. The gangsters said they would continue the crime unless area businesses paid them \$4,000. The money was never paid and the crime continued. The tongs grew fearful that the gangs would jeopardize their gambling operations and threatened to kill any gangsters that tried extorting money from business owners. The plan

failed so the tongs decided to work with the gangs. The Hop Sing Tong paid the Wah Ching Gang to protect its gambling halls and to use its muscle in other crimes. (Kleinknecht 112) A Wah Ching leader who disliked the arrangement with the tong defected in 1969 and started the Yau Lai (or Yo Le) Gang, which evolved into the Joe Fong Boys.

The Wah Ching and the Joe Fong Boys became Chinatown's dominant gangs. The gangsters continued to extort money from area merchants and those who didn't pay had their facilities vandalized or destroyed. The murder rate jumped also. Eighteen Chinese gang-related murders occurred in San Francisco between 1969 and 1974, and 27 gang-related murders occurred in just Chinatown between 1974 and 1977. (Chin 217) One of the most gruesome incidents occurred at 2:40 a.m. on Sept. 4, 1977 at the Golden Dragon Restaurant in Chinatown. Three masked members of the Joe Fong Boys entered the restaurant with the intention of killing Wah Ching leader Michael Louie and other Wah Ching members who were dining there. One gunman sprayed the room with a .45-caliber machine gun, killing Fong Wong, a 48-year-old waiter with six children. An aspiring young actress, Carolina Sanchez, was shot in the jaw as she fled the room using a chair as a shield. The gunman then thought he saw Louie sitting at a table with

three women and proceeded to drill him in the head and chest. The woman sitting next to him tried shielding him with her body and she too was killed. Another woman at the table was then riddled with bullets from head to toe, paralyzing her. The third woman was shot in the face and disfigured for life. Then another gunman fired buckshot from a 12-gauge shotgun at two 18-year-old men at another table. Calvin Fong died instantly and Robert Yuen died a few days later. When the 90-second massacre was over, 16 people were bleeding on the floor. Ironically, the gunmen never got their targets. The Wah Ching members fled through a back door before the Joe Fong Boys entered the room. The man they thought was Louie was actually Paul Wada, a 25-year-old Japanese-American who was celebrating his graduation from law school. Wada was with his girlfriend and two of her friends from Seattle. (Kleinknecht 1-4) The incident shocked the nation and San Francisco law enforcers realized they had a serious problem in Chinatown.

The Golden Dragon massacre was a pivotal moment for Chinese organized crime in America and for organized crime in general. While La Cosa Nostra was just starting to quiet down, a new, vicious ethnic crime group was emerging. In the early 1980s, the California Bureau of Organized Crime and Criminal Intelligence upgraded the

state's largest Chinese gang, the Wah Ching, from a street gang to an organized crime group. With its 600-700 members and approximate 200 hard-core members, the Wah Ching is considered one of California's main organized crime groups.

Other Chinese gangs that were formed in San Francisco include the Young Suey Sing Gang, the Hop Sing Boys, the Kit Jais Gang, the Asian Invasion, the Eddy Boys, the Chinese Playground Boys and the Ping Boys. Chinese gangs operating in Los Angeles include the Wah Ching and two Taiwanese groups, the United Bamboo Gang and the Four Seas Gang. (Chin 217, 218)

New York City has the most Chinese gangs. In 1964, the Chung Yee Gang was founded and an On Leong Chinese Merchants Association leader started a martial arts group called the On Leong Youth Club, which evolved into the White Eagles Gang. (Chin 218) The Quen Ying Gang was formed around 1966 and later evolved into the Ghost Shadows Gang, and the Flying Dragons Gang emerged around 1967 with the Hip Sing Association as its parent organization. Some gangs started out as independent but many of them became street crews for tongs. Gang members lived in apartments that tongs rented, ate in tong-owned restaurants, and detached themselves from school and family. The tongs' inability to fully control the gangs led to



increased terror in New York's Chinatown. The complaint rate of violent crime in the Fifth Precinct reached a record high in 1976. Man Bun Lee, a former president of the Chinese Consolidated Benevolent Association, publicly asked law enforcers in 1977 to crack down on the gangs. An assassin working for the Ghost Shadows Gang soon after stabbed Lee five times but he survived. The incident sent a message that gang antagonizers were unsafe.

By late 1976, the gangs expanded their operations by extorting money from Chinese business owners outside of Chinatown, in other parts of Manhattan. Other Chinese gangs that emerged in New York include the Fuk Ching (Fujian Youth), the White Tigers, the Tong On, the Green Dragons, the Golden Star, the Freemasons, the Taiwanese Brotherhood, the White Dragons, and the Black Shadows (a female gang). (Chin 219-221) The FBI has nearly dismantled the Fuk Ching Gang. The New York City area has an estimated 300 Chinese gang members.

Gang members are mostly male and are in their teens to early 30s. Gang leaders are generally in their late 20s or early 30s. Many gangs have 20 to 50 hard-core members, a few inactive members and several associates. Reinforcements from chapters in other cities are brought in when conflicts occur between gangs. (Criminal Investigative Division 12, 35)

Tong-affiliated gangs are highly structured. Most of these gangs in New York have more than one leader or faction and operate in more than one location. The Flying Dragons Gang has at least two *dai dai los* (big big brothers) who take instructions from the Hip Sing Association. These *dai dai los* control three gang factions on Manhattan and three more in Queens, and the *dai dai los* instruct each faction's leader, or *dai lo* (big brother). Each faction has one *dai lo* and about 15 members. Under the *dai lo*, there are *yee los* or *sam los*, and *ma jais* (little horses) or *lian jais* (little kids). The little horses only take orders from their immediate supervisors and do not know their *dai lo*. They are taught to not ask about their leaders. (Chin 222) Thus, arrested or indicted little horses can't squeal on their leaders. The FBI believes that gangs are becoming increasingly organized. (Criminal Investigative Division 36, 37)

We will now discuss the types of crimes that Chinese crime groups commit including heroin trafficking, illegal gambling, money laundering, prostitution, illegal alien smuggling, intimidation of business owners, violence and robbery.

## Heroin Trafficking

The amount of heroin that Chinese crime groups smuggled from Southeast Asia into America increased significantly after 1983 when many gambling halls in New York's Chinatown began closing and the gangs needed another income source. Authorities estimated in 1984 that Chinese groups imported 20 percent of the heroin in America and 40 percent of the heroin in New York City. In December 1987, about 60 percent of New York's heroin was Asian. In terms of narcotics, what happens in New York affects the entire East Coast. Heroin is made from morphine which is the principal alkaloid of opium. The Chinese-smuggled heroin - which comes mainly from the Golden Triangle (Thailand, Laos and Myanmar) - is known for its purity and is called "China White." A surge of heroin overdoses occurred in the summer of 1987 due to this purity. Law enforcers in 1987 solved over 20 major Chinese-related drug-trafficking cases and seized 200 kilograms of China White. (Chin 227, 228) About 1,458 metric tons of opium was produced worldwide in 1985 and about 3,054 metric tons was produced in just Southeast Asia by 1989. By then, a kilogram of heroin bought for \$7,000 in Bangkok could be sold for \$90,000 in New York. (Kleinknecht 136, 139)

Tong members and Chinese gang leaders traffic and distribute heroin but no single Chinese crime group dominates the heroin trade. Authorities arrested several gang leaders in 1987. Paul Tang, an On Leong associate and Ghost Shadows mentor, was arrested for selling several pounds of heroin to undercover agents. Michael Yu, a Flying Dragons member, and 39 non-Flying Dragons were arrested for importing 100 pounds of heroin.

In 1987, the Flying Dragons' 34-year-old leader, Johnny Eng, was arrested in Hong Kong for smuggling the drug. New York authorities also indicted him for two major drug cases. Eng, who invested his money in New York restaurants and South American farms, smuggled 160 pounds of heroin into America by hiding it in Chinese tea boxes. The boxes were mixed with Chinese herbal medicine to hide the drug's smell. In September 1988, he smuggled 183 pounds of heroin into Boston by hiding it in the steel roller of a bean sprout washer. In late 1992, Eng was convicted in a Brooklyn federal court, and in 1993 he was sentenced to 24 years in prison and fined \$3.5 million.

Leaders of the Tung On Gang, the Fuk Ching Gang and the Green Dragons also trafficked heroin. Gang leaders typically hire nongang members to travel between America and Hong Kong to network with Southeast Asian drug producers and dealers. Authorities believe gang leaders do

not involve their gangs in trafficking. (Chin 228, 242, Kleinknecht 138, Abadinsky 282, 283)

Tong members also smuggle drugs. An On Leong member was a broker between heroin importers and buyers. Law enforcers arrested him and 30 others, and seized over 800 pounds of heroin and about \$3 million in cash. (Chin 228)

Kon Yu-Leung, also known as Johnny Kon, was the most prolific Chinese heroin smuggler ever arrested by U.S. authorities. Kon, a member of Hong Kong's Wo On Lok Society, recruited several jewelry thieves from the island's Big Circle Gang to form a heroin-smuggling gang called the Flaming Eagles. Kon's gang smuggled over 1,700 pounds of heroin, about \$2 billion worth, into America from 1984 until he was arrested in March 1988. The drug was shipped in ice buckets, vases, picture frames and other containers. Kon owned a trading company in Newark, N.J., a watch company in Paraguay, a \$1 million home in Panama City, Panama, commercial real estate in San Francisco, a movie theater in New York's Chinatown and part of a shopping mall in Queens. For his wife, he bought a \$400,000 home in Short Hills, New Jersey. Authorities seized 126 pounds of his heroin in a fishing trawler in Hong Kong harbor in 1984 but U.S. authorities didn't have enough evidence to arrest him until October 1986 when an arrested Flaming Eagle squealed on his boss. Kon became the Drug Enforce-

ment Agency's No. 1 fugitive until March 1988 when eight DEA agents interrupted his fried chicken dinner at the New York Hilton. Kon had a \$25,000 diamond-studded Piaget watch on his wrist and \$32 in his pocket. (Kleinknecht 138, 139, Surovell 96)

The Chinese are one of the most active international heroin-smuggling groups, and authorities expect them to expand their trafficking into mainstream America. (Chin 228) In 1994, 57 percent of the heroin in America came from Southeast Asia. Members and associates of Asian drug groups are active in Canada, Houston, Los Angeles, New Orleans, New York, San Francisco and Seattle. The increasing availability and popularity of heroin led to a 90 percent jump in heroin-related overdoses between 1990 and 1996.

The former Shan United Army and the United Wa State Army, two insurgent groups in Northeast Myanmar that are members of the country's National Democratic Front, dominate Southeast Asia's heroin production. The Shan United Army's leader, Khun Sa, is Asia's most famous opium producer. In the hilly region of Myanmar's eastern state of Shan, Khun Sa and his 15,000 men produce up to 80 percent of the Golden Triangle's heroin. They grow the opium poppies, process the opium into heroin in jungle laboratories and protect the caravans that take the drug to Myan-

mar's borders. The heroin is first sold to the Chinese and Thai, two groups that are increasingly working with Colombian drug traffickers. Cambodia, Korea, Taiwan, Vietnam and mainland China are also increasingly engaging in the heroin business. To smuggle heroin, the crime groups typically hide it in containers on commercial ships, in air cargo and in mail parcels. (Criminal Investigative Division 27, 28, 54, Kleinknecht 137) In New York, authorities found over 850 pounds of heroin inside hollowed-out lawn-mower wheels. The wheels were shipped from Hong Kong to Seattle, then railroaded east. (Kleinknecht 138)

Research shows that an increasing number of Chinese drug smugglers are not tong or gang members. This new breed of smugglers is richer, smarter and better connected with foreign associates. They can act quickly when opportunities arise and can quickly terminate an operation when the mission is completed. These temporary operations are also more difficult to investigate than traditional Chinese crime groups. (Chin 228, Criminal Investigative Division 27, 55) The powerful Sicilian Mafia helps to distribute Asian heroin worldwide. (Sterling 152)

## Illegal Gambling

Gambling was a mainstay in America's Chinatowns for a long time until around 1983 when many gamblers in New York's Chinatown began going to Atlantic City where they could gamble legally and watch Chinese entertainers flown in by secret societies. (Surovell 96) Also, many Chinese learned to enjoy taking a bus to a classy Atlantic City casino instead of cramming into a dirty, smoke-filled basement. (Kleinknecht 135) However, gambling still exists in the Chinatowns and should be discussed, especially since the problem often involves other crimes such as money laundering.

Chinatowns typically have low-stakes and high-stakes gambling clubs. Small family or district associations run the low-stakes clubs which are open only to well-acquainted members, friends and relatives. The gambling occurs roughly from 4 p.m. to 1 a.m and is considered a social activity. Winnings and losses are roughly about \$300. The most popular games are *mahjong* and 13-card poker, and the associations take a 5 percent commission on the bets. These clubs are usually peaceful and do not attract gangs.

The high-stakes clubs generally never close, and activity peaks after midnight. Professional dealers run the games which include *mahjong*, poker, *pai gow* and *fan*



tan. The club's shareholders take a 5 percent commission on the bets. The tong that controls the area around the club often owns the club. Customers include heavy gamblers, illegal aliens and gangsters. Robbery, extortion and murder often occur at these clubs due to the high cash flow. Gangs often protect the clubs and their patrons from the police, intruders or rival gangs.

Tongs with basements or halls will often rent the facilities to their members. The tongs generally have no restrictions on how the facilities may be used and will sometimes help renters who use the facilities for gambling.

Tongs and Chinese gangs also control gambling in California's Chinatowns and are expanding their gambling operations beyond the Chinatowns. In the state's suburban areas, Chinese gangs own and operate many legal gambling clubs which offer high-stakes games such as *pai gow*, which is an ancient Chinese domino game, and *fan tan*. (Chin 223, 224) These clubs are similar to Las Vegas and Atlantic City casinos but have sections with Chinese games for their Asian patrons. The criminals use the clubs for drug trafficking, loansharking, extortion and robbery. They also launder and skim the clubs' profits. (Criminal Investigative Division 13) Money laundering in

these clubs will be discussed in the Money Laundering section.

In 1988, federal agents raided the On Leong Chinese Merchants Association's Chicago headquarters and found over \$320,000 in cash and records revealing that money had been extorted from local Chinese merchants. In 1990, 29 of the tong's leaders from Chicago, Houston and New York were charged with running an \$11.5 million gambling operation. The Chicago headquarters was open for gambling daily from 9:30 a.m. to 7 p.m. The facility was forfeited to the government after the bust. In 1994, On Leong leaders were convicted of bribing police, running the gambling operation, and paying monthly street taxes of \$8,000 to Chicago's La Cosa Nostra family and \$4,000 to Pittsburgh's family. The tong leaders were also convicted of bribing a state judge to fix a murder case involving three Chinese gangsters who were brought from New York to Chicago to kill a rival. (Abadinsky 277, 278, Chin 216)

### Money Laundering

The FBI believes money laundering methods used by Chinese crime groups are relatively simple. The only method unique to Asian crime groups is the underground banking system. Canada is often used as an intermediate point for money that is being transported and laundered

between Hong Kong and America. Hong Kong is a major laundering hub because it does not require incoming and outgoing currency to be reported, and because Chinese crime groups traffic much of their heroin through Hong Kong.

Physically smuggling money is the most common laundering method. Couriers, called "mules," carry bulk cash on themselves or in luggage out of America. They then deposit the money into bank accounts, often in Canada, where it can be wire transferred to bank accounts in Hong Kong and other tax havens. Mules also smuggle money directly from America to Hong Kong on commercial jets. Also, cash is frequently smuggled to Hong Kong by mailing it via parcel post. The Royal Hong Kong Police said the average package contains about \$50,000.

Another laundering method involves the evasion of deposit reporting. Asian criminals who deposit under \$10,000 into a bank account can avoid having the deposit reported. Only deposits over \$10,000 are reported. Bank officials rarely notice illicit deposits of under \$10,000 because so many legal and illegal deposits occur.

Money is also laundered in gambling clubs or casinos that cater to Chinese. Chinese criminals often bring cash-filled suitcases into the clubs where the money can be laundered in three main ways.

1. Drug suppliers and their dealers will play rigged games against each other and not against the club. The dealers buy their drugs from the suppliers by letting the suppliers win the games. Thus, the supplier appears to have obtained the money by winning it instead of by making it from selling drugs.

2. Mules who physically smuggle cash abroad prefer to smuggle large-denomination bills since they weigh less and require less space. Trading in a huge stash of small-denomination bills for large bills at a bank can look suspicious so the criminals do it in the gambling clubs. They use small bills to buy chips and then without using the chips, the criminals cash them in for large bills. The criminals can also do this by depositing small bills into a credit account at the club and then withdraw the money in large bills later.

3. The interconnected worldwide casino network enables criminals to deposit cash at one branch and then have it wire transferred to another branch abroad where it can be withdrawn.

Chinese crime groups also launder money through their legitimate businesses, especially restaurants, wholesale fish firms, travel agencies and garment-manufacturing firms.

Import/export companies can launder money by wire transferring money abroad. The companies claim the money is to pay for foreign goods coming to America but in reality, no goods come to America. Using fake invoices, the crime groups try to disguise the laundering as a sale. Sometimes the companies will transfer more money than they are actually paying for the goods coming to America. The difference between what they transfer and what they actually pay is the amount being laundered.

Money launderers often use illicit proceeds to buy cars, jewelry, gold and diamonds. They ship the items to China and Hong Kong where they are sometimes sold for profit. Turning the cash into more tangible goods makes the illicit proceeds appear more legitimate. Also, selling the goods for a profit increases the crime groups' income.

Crime groups sometimes launder their money in Hong Kong by investing it in the securities market under false names, allowing brokers to buy and sell in Hong Kong and other countries.

Money is laundered through China's ancient underground banking system which was used to transfer money between parties without alerting the government. The system, which prevails throughout Asia and has expanded to U.S. Chinatowns, is a culturally and socially accepted

covert barter system for trusted and reputable people only. Chinese drug traffickers use the system to transport drugs or large sums of cash abroad without government detection. Determining the amount laundered through the system is nearly impossible since no transactions are recorded.

Crime groups launder money through legitimate credit card companies' international wire transferring systems. The process requires cooperation between shady merchants who accept credit card payments and those with money to launder. The one with cash to launder will act like a customer and pretend to make a purchase. He receives no product or service from the merchant but will use his illicit proceeds to pay his credit card bill. The credit card company then sends the money to the merchant who is still cooperating with the money launderer. (Criminal Investigative Division 57-62)

### Prostitution

Chinese crime groups have been associated with prostitution since the 1800s but the problem surged in the 1970s when an influx of single Chinese immigrants entered America. Korean prostitutes working in Korean-owned massage parlors were the first to meet the growing demand. The Chinese eventually took over the prostitution busi-

ness since they were the main patrons. New York City had over 20 parlors in 1985 and many parlors opened in other U.S. Chinatowns. Gangs protect the parlors and some gang leaders own parlors.

Travel agents in Taiwan find women who are willing to work as prostitutes in U.S. parlors. Some women sign one-year contracts and are then given tourist visas, air tickets and loaned between \$7,500 and \$12,500. All travel costs are to be paid back. Most of the women are Korean, Chinese and Malaysian. Chinese prostitutes are often called *sing song* girls. The tourist visas allow the women to stay for six months but the visas can be extended for another six months. (Chin 227) Some women agree to pay up to \$30,000 to be illegally smuggled into America. (This is discussed in the Illegal Alien Smuggling section.) The parlor managers keep the women working and often hold their visas until the passage fee is paid off and/or until the one-year contract expires. Some women are required to continue working even after they've fulfilled their so-called obligations. Many of these women are in New York's Chinatown. Some arrive in Houston to go on a seven-state circuit of massage parlors, or in Chicago to go on a six-state circuit. (Winick 292)

Chinese-run nightclubs hire young Asian women to drink and dance with patrons and allow the patrons to

take the women out after the clubs close. (Chin 227) The prostitutes are also known for working in modeling studios, hair salons and other types of businesses. (Winick 291)

In July 1984, a senior special agent with the Immigration and Naturalization Service, James Goldman, and his partner, Glen Reyes, began investigating an international prostitution ring run by a middle-aged Taiwanese mother of three, Shih Hsaio Pao, and her daughter, I Huei Chin. The investigation began with an anonymous tip from a Chinese-American who alleged that a residence at 148 Baxter St. in Chinatown was a brothel. Goldman watched the gang-protected site and noticed that most of the traffic consisted of Asian males. He learned that Shih owned the brothel and another one at 686 Sixth Ave. in Chinatown. Using telephone records, Goldman found that many calls were made from the two brothels to South and Central America, Houston, San Francisco and Lakewood, Colo. He learned through an informant that Madam Shih wanted to expand her business.

To get information on the enterprise, Goldman recruited two detectives from the New York City Police Department, Albert Chan and Louie Chan (no relation). Albert posed as a wealthy businessman who was interested in helping her expand, and Louie posed as his bodyguard.



The pair met Shih and I Huei Chin at an elegant Japanese restaurant. Shih told the detectives that her son was a travel agent in Taiwan who had a knack for recruiting cash-strapped cosmeticians, factory workers and hotel maids. The women signed contracts stating they would pay back the travel expenses by working for Shih. Her son gave the women money to buy air tickets and money for other travel costs.

Customers paid \$80 for a session with one of Shih's prostitutes. Of that amount, the women kept \$42, the brothels took \$30, and the remaining \$8 went to the son in Taiwan. If a girl ran away, Shih said her associates could find her since they had each of their prostitutes' phone numbers and home addresses in Asia. Since customers liked having new or different girls, Shih rotated the women between her brothels in New York, Houston, San Francisco and Lakewood. Thanks in part to the recorded conversation, Goldman had enough evidence to execute search and arrest warrants at the crime ring's brothels and homes.

Goldman's task force included INS agents and police officers in New York, San Francisco, Lakewood and East Brunswick, N.J. Several Chinese gangsters, including one with a loaded and cocked .22-caliber pistol disguised as a ballpoint pen, guarded the Baxter Street site which had

been fortified with three steel-locked doors. Authorities confiscated guns at the Lakewood brothel, seized I Huei Chin's \$92,000 East Brunswick condo, and found in safe-deposit boxes bankbooks indicating the mother and daughter had over \$100,000. The boxes also contained over \$17,000 in jewelry, gold, jade and pearls.

This case was the first time the INS used the Racketeer Influenced and Corrupt Organizations statute. At the June 1986 trial in the U.S. District Court on Manhattan, 12 prostitutes testified against the defendants. One woman said she was flown from Asia to Bolivia, El Salvador, Guatemala and then Mexico where she was smuggled over the border into Texas. She was held captive in houses in Texas until being sent to New York. The women described how they were urged to pay off their traveling debts, which ranged from \$3,000 to \$6,000. They also feared that their families in Asia would be harmed if the crime ring was dissatisfied with the payback pace. Some of the women said they were denied their travel documents after they had paid their debts. Shih and I Huei Chin were convicted of prostitution racketeering and sentenced to federal penitentiaries. Shih's son in Taiwan, the travel agent, became a fugitive, and another son was sentenced to four years. A Taiwanese film director involved

in the ring, Hung Chang Wang, pled guilty in a California court and was sentenced to 20 months. (Surovell 40, 42)

### Illegal Alien Smuggling

America had an influx of Chinese illegal aliens after the June 1989 Tiananmen Square massacre. In the 1980s, 108,975 Chinese were illegally smuggled into America. In January 1991, an estimated 80,000 Chinese illegal aliens, mainly from Fujian province, were living in New York City. In 1993, U.S. authorities estimated that 90,000 mainland Chinese were illegally entering America each year. Authorities believe each of the aliens paid about \$35,000 to be smuggled into America. Members of tongs and Chinese gangs smuggle aliens but whether these members work on behalf of their group or for their own gain is unknown. Tongs and gangs often associate with the aliens after they arrive but they don't necessarily smuggle them. (Chin 229, Elliott 36, Sterling 154)

Fujian is on China's southeast coast and many of the illegal aliens come from there for two main reasons. They are subject to the same poverty and repression that those in China's inland provinces endure, yet due to its location, the Fujianese are less isolated from the rest of the world. From friends and relatives, the Fujianese hear stories about how a Chinese can immigrate to America with

a few hundred dollars in his pocket and start his own business a few years later. For a Fujianese who earns the province's average annual salary of \$209, the good life in America is quite enticing. (Kleinknecht 161)

This desire to reach America led to a lucrative operation for alien smugglers who would come to be known as "snake heads." The passage fee of \$25,000 to \$35,000 is an astronomical amount for the average Fujianese but smugglers assure them the money can be earned in America. Only a small percentage of the fee is required up front.

Cheng Chui Ping, a Fujian native, was smuggled into America around 1983 before she and her husband, Cheng Yick Tak, became New York's first notorious smugglers. The couple ran the operation out of the Tak Shun variety store at 145B Hester St. in Chinatown. Ping herself guided immigrants from Fujian through Hong Kong, Central America, Mexico and then New York. She usually smuggled less than 12 immigrants at a time but in all she had smuggled thousands and made an estimated \$30 million before she was arrested in 1990. Ping was jailed for four months before she resumed her operation in a building she bought for \$3 million in cash. The Fujianese liked her and called her "Big Sister Ping." (Kleinknecht 162)

Unlike the emerging smugglers, Ping helped aliens after they arrived.

Other criminals began to realize they could make the same amount of money smuggling aliens as they did smuggling heroin and serve far less time in jail if caught. Convicted alien smugglers are typically jailed for a few months but major heroin smugglers can be put away from 25 years to life. (Kleinknecht 168) Most of these newer alien smugglers had far less compassion than Ping had. They turned the smuggling trade into a large-scale operation by cramming hundreds of immigrants onto old, run-down ships. The East Wind, a ship that carried 524 passengers to America in early 1993, took nine days to load. (Elliott 41) The trip to the Promised Land is pure hell. Spending months at sea, the passengers eat no more than one meal a day, usually a small bowl of rice, and they often must share one rest room. The male immigrants and crew mates routinely rape the female passengers and turn them into virtual sex slaves.

Between August 1991 and June 1993 authorities intercepted 14 of these ships and the number that arrived undetected is unknown. In May 1993, a ship unloaded about 200 immigrants at San Francisco's Golden Gate Bridge. Authorities seized 125 of the aliens but the others escaped. On June 2, 1993, the Coast Guard on the Northern California coast seized two trawlers carrying about 200 immigrants. The boats landed about 60 miles apart.

(Kleinknecht 163) On June 6, 1993, a battered rust bucket called the Golden Venture, with about 300 passengers, ran aground at night near Rockaway Point of Brooklyn, N.Y.

After months at sea, the worn out, panicky passengers, many of whom were wearing only underwear, jumped blindly into the turbulent 55-degree water. The surviving aliens were jailed. Five bodies washed ashore that night and five more washed up over the next few days. At the time, authorities learned that 24 more ships were on the way.

(Kleinknecht 158, 159, 163) Authorities have identified over 60 smuggling routes by land, sea and air. (Sterling 154) Proof that many of these ships sneak past the Coast Guard is in Chinatown where many newly-arriving Fujianese can be found. Since the Tiananmen massacre, America has granted refugee status to any Chinese requesting it; they are not prosecuted or deported.

The real tragedy of alien smuggling occurs in Chinatown. Gangs often enslave the aliens and use barbaric methods of collecting the passage fees from them. Some aliens are kidnapped in the middle of the night and imprisoned and tortured until their families back in Fujian send the gangsters tens of thousands of dollars. Police frequently find aliens locked in warehouses and cramped basements. In May 1993, authorities in Jersey City, N.J., found four armed criminals guarding 57 aliens

locked in a warehouse. The aliens were driven in vans every day to and from low-paying restaurant jobs. In June 1993, New York City police freed 43 aliens from three makeshift prisons and arrested their 14 captors. Smugglers often ignore the pre-trip agreements and start harassing families back home for money when the aliens arrive. The aliens are often confined and forced into slave labor in garment factories and restaurant kitchens until the debt is paid. The prettiest female aliens are often forced into prostitution. Abused aliens rarely approach police for help because they assume the police are as corrupt as the cops in Southern China. And if they did approach the police, the gangsters could retaliate and harm the families back home. (Kleinknecht 165) Knowing they came illegally, the aliens also fear being returned to China if they approach the police.

Chinatown's most notorious immigrant-smuggling gang, the Fuk Ching, consisted of hard-core criminals from Fujian. The gang smuggled immigrants into California, Hawaii, Massachusetts, North Carolina and other states. The Fuk Ching frequently kidnap and torture debtors. (Kleinknecht 168) The gangsters have handcuffed and beaten aliens in broad daylight on crowded Chinatown streets. (Chin 229) Often when the gangsters confine and torture aliens, families back home can hear the screams

from pain over a telephone. In November 1990, Fuk Ching members demanded \$25,000 from each of two aliens and took them to an apartment where they were beaten with guns and sticks. The gangsters then took the aliens to a basement on 58th Street in Queens to intensify the torture. Over the next several days, the aliens were burned with cigarettes, beaten with an exercise bar and had their heads covered with plastic bags. The gangsters seriously burned the debtors and broke some ribs before police freed the victims. In January 1991, a Hong Kong smuggling ring hired Fuk Ching members to collect \$30,000 from an alien, Kin Wah Fong. The gangsters took Fong to a Bronx apartment, handcuffed him to a bed, beat him with a claw hammer, and threatened to kill him. Fong's family heard him beg for his life over the phone. After 12 hours of torture, police rescued him and arrested 13 gangsters. (Kleinknecht 168, 169)

#### Intimidation of Business Owners

Chinese gangs take advantage of business owners by using four types of intimidation: the demand for protection money, extortion, the forced sale of expensive products, and the demand for free or discounted products and services.



The gangs often demand business owners to pay protection money to ensure that the demanding gangs or other gangs will not disturb the business. The gangsters and the owners often negotiate the payment amounts and the due dates. The gangsters sometimes tell the owners to make one large payment. Under gang rules, a gang may only demand protection money from a merchant that operates in territory controlled by the gang. (Chin 224) Protection money is often called *po foo fay* (protection fee), *tor ti fay* (territory fee) or *heung yau chin* (incense oil money). (Criminal Investigative Division 36) About 80 percent of San Francisco's Chinese restaurateurs pay from \$200 to \$750 per week for each table in their restaurant. (Sterling 153)

Extortion is a common crime in America's Chinatowns. The New York City Police Department estimates that Chinese gangs have extorted money from at least 80 percent of the city's Asian merchants. Uncooperative merchants have been beaten and/or killed and have had their businesses robbed, burned, vandalized and/or burglarized. The gangs use extortion to gain control of territory. When two or more gangs are trying to claim the same area, merchants in that area can sometimes be forced to pay money to each gang. Extortion by Chinese gangs is tolerated by the tongs and is often sporadic and spontaneous. Gang-

sters give the extorted money to their leader, who distributes it to his underlings at will. (Chin 224, 226) Extortion money is often called *cha chin* (tea money) or *lai si* (lucky money). (Criminal Investigative Division 35)

Gangsters often force business owners to buy holiday-related items from the gangs at highly-inflated costs. The items can include plants, cakes or firecrackers. The gangs take advantage of the Chinese holiday customs of ensuring harmony in the community and of displaying and consuming certain items during the holidays.

Gangs also demand free or nearly-free goods and services. This practice resembles theft. Gangsters will often behave in a business only if the owner gives them free or discounted goods and services. (Chin 224) This crime often occurs in restaurants.

In a 1992 survey of New York City's Chinese businesses, Chinese gangsters approached 69 percent of the 603 respondents and had victimized 54.7 percent of the respondents. On average, the victims were preyed on 10 times a year and lost \$615 a year. (Chin 225)

Business owners avoid gang demands by changing their lifestyles, altering their business practices, installing security systems, altering their buildings, and trying to use more English in their businesses.

Lifestyle changes were made to avoid looking prosperous and include dressing casual, wearing no jewelry, carrying little money, and driving inexpensive cars.

Altered business practices include closing earlier than usual, hiring only acquaintances or friends, keeping little cash in the building and doing business with only regular customers. Security systems include alarms, video cameras and iron gates on the front.

Gangsters with beepers hang around businesses with pay phones so many of these owners removed the phones. Gangsters also rob customers in rest rooms so many owners have put locks on the rest room doors or rebuilt the rest rooms to accommodate only one person at a time.

Business owners are also hiring more people with good English skills to have them deal with the gangsters. Gangsters must be able to communicate to make demands. If the employee is fluent in English and the gangster is not, the gangster will get frustrated and likely leave.

Other precautionary measures include hiring managers who can deal with gangsters, leaving the building in groups after closing, carrying a gun and hiring non-Chinese. (Chin 233, 234)

## Violence

The Hip Sing Association and the On Leong Chinese Merchants Association were known for their war which began around 1904 and ended in the 1920s but most violence in the Chinatowns today involves gangs. Gang violence erupts almost weekly in the San Francisco and New York Chinatowns. Researchers have divided Chinese gang tumult into three types: intergang, intragang and instrumental violence.

Intergang violence is conflict between rival gangs and can be divided into three subcategories.

1. Intergang violence can be used to maintain or advance a gang's status. Members of one gang feeling disrespected by members of a rival gang can lead to intergang violence. This violence is often committed spontaneously.

2. One gang trying to acquire another gang's territory, or two gangs trying to seize unclaimed territory can cause intergang violence. These conflicts are commonly called turf wars and are often planned. Additional turf means additional income due to the extortion money from extra business owners.

3. A desire for revenge can lead to intergang violence. A gang with members who have been attacked by a rival gang will often seek revenge.

Intragang violence occurs between members of the same gang and can be divided into two subcategories: (1) Gangsters sometimes fight over money, women or how the gang should proceed; (2) Violence can be used to punish members who violate gang rules.

Instrumental violence is directed at non-gang members including those with gambling debts, illegal aliens with so-called debts, witnesses to crimes, people being robbed and merchants who refuse to comply with gang demands. (Chin 230, 231)

But not all violence aimed at non-gang members is instrumental. Gangsters often injure or kill people for no reason, such as what happened at the Golden Dragon restaurant in San Francisco's Chinatown. Many victims are often innocent bystanders. According to the FBI, the Wah Ching, the Ghost Shadows and the Fuk Ching are becoming increasingly violent and frequently commit violent acts unapproved by the tongs. Execution-style murders and armed home invasions are on the rise. (Criminal Investigative Division 36) These home invasions, which are also becoming more brutal, will be discussed in the Robbery section. New York City's five La Cosa Nostra families sell guns to Chinese crime groups. (Sterling 152)

## Robbery

Small numbers of gangsters typically rob without gang approval. They generally target residential homes, vice businesses such as gambling clubs and massage parlors, and legitimate businesses such as jewelry stores and restaurants.

To rob a house, heavily-armed gangsters, including Ghost Shadows and Flying Dragons, will typically follow people home, enter the home, tie up the occupants, threaten to kill the children, and then take cash and valuables. The intruders sometimes rape and kill the women. (Chin 226, Sterling 153, 154)

Gangsters can often rob thousands of dollars from patrons at gambling clubs, especially between midnight and dawn when gambling activity peaks. Gangsters sometimes sneak past the guards by posing as gamblers and if guards are absent, the intruders often brandish weapons and announce a robbery. Slow-responding gamblers may be pistol-whipped or killed. Also, the gangs are increasingly targeting the massage parlors that opened in the 1980s in New York. Masked Chinese gunman wounded or killed managers, guards and customers while robbing several parlors in 1985.

Chinese restaurants have become frequent robbery sites since many of them accept only cash. Robberies

occur mainly around closing time when the cash registers are more likely to be full. Well dressed gangsters posing as customers have snuck past guards and security doors to rob jewelry stores in Chinatown. (Chin 226)

#### Law Enforcement's Response to Chinese Organized Crime in America

Some believe that law enforcers were slow to respond to Chinese organized crime since most of the crime was confined to the isolated Chinatowns. The crime was out of sight so it was out of mind. But law enforcers have become very concerned about Chinese tongs and gangs since the early 1980s, due mainly to alien and heroin smuggling. (Elliott 41) The Drug Enforcement Administration in New York has the Asian Heroin Group, also called Group 41. In 1996, the DEA was planning to open an office in Beijing. The Immigration and Naturalization Service has special task forces in Boston, Houston, Los Angeles, New York, San Francisco and Washington, D.C., devoted exclusively to Chinese crime groups. Law enforcers in Arlington, Va., Chicago, Dallas, Monterey Park, Calif., and Oakland also have resources devoted to Asian or Chinese crime groups. (Chin 214, U.S. State Department 3)

U.S. authorities frequently work with foreign authorities when investigating Chinese organized crime since it is an international problem. The FBI, the intel-

ligence community and other law enforcement agencies cooperate in a global strategy to control Southeast Asian drug traffickers. The FBI gets much of its information on Chinese crime groups from business and community leaders in Asia and from Asian leaders in U.S. cities with large Asian populations. The bureau also has an Organized Crime/Drug Strategy that made Asian drug traffickers a priority. (Criminal Investigative Division 2, 27, 54) The Drug Enforcement Administration trains Chinese officials in drug enforcement, including a two-week seminar in 1995 in Macau. The Chinese government has expressed interest in expanding its cooperation with America, especially in the areas of drug-use prevention and rehabilitation training. (U.S. State Department 3)

Law enforcers face several obstacles when investigating Chinese organized crime including language and culture differences. Understanding a wiretapped conversation and finding a law enforcer who can infiltrate a Chinese crime group are often difficult since some Chinese communities have over 12 dialects. (Surovell 100) In 1993, only 1.5 percent of the FBI's agents were Asian-American, and the New York City Police Department had only one officer who could speak the Fujianese dialect. (Elliott 41)



The reluctance of Chinese victims to report crime is a cultural difference that hinders crime solving. Under Chinese custom, dispute resolution without police involvement is encouraged. Many Chinese victims tend to believe that the crimes they experience are too insignificant to call the police. Business owners forced to give money or free goods to gangsters often see the problem as more of an annoyance than a crime. Some victims believe police won't try to solve the crime unless it involves drugs or homicide. Some merchants who refuse to comply with gang demands believe the demands are not crimes since no money exchanges hands. Basically, Chinese are more tolerant of crime than most ethnic groups. (Chin 232, 233)

The FBI originally feared that China's reclaim of Hong Kong on June 30, 1997, would cause a mass migration of criminals from the island to America. U.S. law enforcers believed Chinese authorities would crack down on the criminals and scare them away but more recent reports indicate that Chinese authorities may be more lenient than expected. As of 1996, the increase in the number of secret society members applying for emigration to America was insignificant. Instead, British Colombia saw an influx of society members due to their ability to take advantage of Canada's immigration policies. The FBI has

enhanced its cooperation with Canadian authorities to keep society activity out of America. U.S. law enforcers believe that the lucrative criminal opportunities in Hong Kong and China will keep many of the criminals there. Also, most society members do not have the means or opportunity to flee Hong Kong. The upper echelon are the most likely to leave. (Criminal Investigative Division 12, 41)

## CHAPTER VI

### A COMPARISON BETWEEN RUSSIAN AND CHINESE ORGANIZED CRIME IN AMERICA

#### Introduction

In this chapter we will determine if Russian or Chinese crime groups pose the greatest threat to American society. We will explore the differences between the two groups to determine which one has the most capacity to harm. Before we begin, we must remember that academics, journalists and law enforcers agree that La Cosa Nostra still rules the underworld and will likely continue to do so for years to come. The success of another ethnic crime group may depend on its ability to compete with La Cosa Nostra or its willingness to cooperate with La Cosa Nostra.

In our analysis of Russian and Chinese organized crime in Chapters IV and V we learned that the two groups may be similar in several ways, specifically their durability and their ability to evade law enforcement. Both groups are thriving and growing daily, and with new criminal opportunities arising, authorities will unlikely eliminate either group soon. Law enforcers also have the same difficulty infiltrating the two groups, mainly due

to language and cultural differences. This chapter will focus on the important differences between the two groups, including the levels of sophistication, and the seriousness and diversity of the types of crimes they commit. We will also compare each group's ability to operate nationwide and to affect the average American. The thesis will then conclude by determining which group poses the greatest threat to American society.

### Levels of Sophistication

A group's level of sophistication can significantly affect its ability to commit complex and devastating crimes. The most sophisticated group is more likely to learn English, exploit technology, find more criminal opportunities, harm the community at large, devise more unsolvable crimes, improve existing crime methods, maneuver through the legal system, and have intelligent members. We will compare the members of both groups and compare the crimes that both groups commit to determine which group is most sophisticated.

Russia's elite criminals, or "thieves in authority," tend to be former government bureaucrats and Communist Party officials. Many of them are well-educated professionals with strong international connections. The *vory v zakone* (thieves in law) are hard-core, professional

criminals who came to America with enough skills to commit complex crimes, such as the fuel tax scam, almost immediately after arriving. Many of Russia's lower-level criminals are college graduates and former military personnel. They tend to be younger, less hard-core and less active in America than members of the other two groups.

Many members of Chinese secret societies may be considered sophisticated but the societies are based mainly in Hong Kong and their activity in America is limited. Tong members may also be considered sophisticated but most of them have legitimate occupations outside of the their tong and are not criminals. Most gang members are little more than uneducated street thugs. Many of them are high school dropouts with poor English skills. Gang leaders and a minority of tong members commit most of the Chinese-related sophisticated crime in America.

The Russians' most sophisticated crimes committed so far in America include the fuel tax scam, the medical insurance and telecommunications frauds in California, narcotics and nuclear weapons/materials smuggling, auto theft, money laundering, and the counterfeiting of credit cards, currency, traveler's checks, passports and visas. Some of these crimes, such as the fuel tax scam, were so complex that authorities had to figure out how they worked before the criminals could be prosecuted. Crimes

such as the telecommunications fraud and the counterfeiting scams require technological skills. Also, to market and smuggle nuclear weapons/materials, the Russian mobsters must know about and understand these complex items.

The Chinese' most sophisticated crimes committed so far in America include heroin trafficking, money laundering and illegal alien smuggling. Their money laundering methods are not that sophisticated but according to authorities they tend to be more complex than the methods used by Russian mobsters in America. The Chinese use methods that are possibly as complex as the methods used by Russian mobsters in Russia who launder their proceeds through America. Both Chinese and Russians employ similar heroin trafficking methods, especially since both groups work with other ethnic crime groups such as the Colombian cartels, but the Chinese are smuggling far more narcotics into America. To smuggle illegal aliens, the Chinese developed over 60 routes by air, land and sea.

After comparing the members and crimes of Russian organized criminals and Chinese organized criminals, we must conclude that, in general, Russian criminals are more sophisticated than Chinese criminals.

## The Seriousness and Diversity of the Types of Crimes Russian and Chinese Crime Groups Commit

The seriousness of a crime can be measured by its economic, physical, psychological and societal effects. Economic harm includes the amount of money lost by victims, the amount gained by criminals, the amount taken from the economy and the amount taken from governments. Physical harm includes the amount of violence that is used as a means of internal discipline, as a way to settle disputes, as a way to further criminal pursuits, or for no reason at all. Physical harm also involves the physical side effects of drug addiction and prostitution. Psychological harm involves the amount of fear and intimidation that criminals can instill in people to the point of altering their behavior. Societal harm involves the degree to which social and political systems are undermined.

The diversity of a crime group's activities reflects the group's willingness to pursue new challenges and its ability to adapt to new opportunities. The group most capable of adapting to new opportunities is likely to be the group most capable of surviving and possibly growing. Thus, the diversity of a group's activities may help predict the amount of harm the group can inflict on society in the future.

We will now analyze each type of crime committed by Chinese and Russian crime groups to determine which group commits the most serious crimes.

Crimes of deception and fraud are committed mainly by Russians and include the fuel tax fraud, the insurance scams, the bogus import company, the telecommunications scam in California, and the counterfeiting schemes.

The fuel tax scam causes economic, physical, psychological and societal harm. The scam causes economic harm because states and the federal government are denied millions of dollars in tax revenue. The perpetrators of this fraud also sell the fuel at a discount to retailers, who in turn undersell their honest competitors. The scam can drive these honest retailers out of business and allow the dishonest retailers to monopolize the fuel market. Physical harm occurs when the perpetrators use violence against their competitors. Psychological harm occurs when honest retailers are intimidated into buying the daisy chain fuel or when honest retailers realize they can't compete with the perpetrators. Societal harm is caused when the scam corrupts the political system. (Tri-State 31)

The insurance scams cause economic harm because they drain millions of dollars from insurance companies and thus increase premiums for subscribers. The money that



subscribers spend on the increased premiums goes to the mobsters instead flowing productively through the economy.

The bogus import company that Russian mobsters set up in 1992 helped them steal \$5.7 million from 24 Russian companies and a Russian charity. Companies in Russia were robbed but the fraudulent company was set up in America so the crime occurred in America. The scam caused economic harm because it drained \$5.7 million from legitimate Russians. The incident likely harmed the companies in Russia psychologically, possibly to the point where they weren't sure if they could ever trust another company in America.

The telecommunications scam in California causes economic harm because the phone calls made by the mobsters on their bogus phones are charged to the legitimate phone owner's account. Thus the legitimate phone owners who miss the problem on their phone bills inadvertently pay the illicit charges. If the legitimate phone owners catch the problem on their bill and do not pay the illicit charges, the phone company must absorb the loss. This is money that could be used in the economy. This crime may cause enough psychological harm to prevent people from using or buying cellular phones.

Russian mobsters have mastered counterfeiting. By illegally copying credit cards, the criminals cause economic and psychological harm. Economic harm occurs because the goods bought with a bogus credit card are charged to the legitimate card holder's account. The money used to pay these illicit charges is money that could have been used in the economy. If the legitimate card holders catch the problem on their bill and do not pay the illicit charges, the bank issuing the card must still pay the retailer where the illegal transaction occurred. This can cause the bank to increase its interest rates for all of its customers to compensate for the losses. Thus, these customers are sending money to the banks that could have been used in the economy. This can cause psychological harm among all credit card holders, especially victims of the scam, who may then hesitate to use credit cards.

Chinese criminals in America traffic more narcotics, especially heroin, than their Russian counterparts here. This is a crime that can cause harm in many ways. Economic harm occurs people buy narcotics with money that could go toward food or shelter. Economic harm also occurs because of the billions of dollars used to fight narcotics trafficking. Millions are also spent on treating drug addicts and on treating those who have acquired

other problems from drug use, such as AIDS. Drug abusers who lose their jobs can also cause economic problems, and abusers often steal and commit other crimes to get money for drugs. Narcotics can cause extensive physical harm to its users, including AIDS when needles are shared. Also, violence is often associated with trafficking at the street level. Narcotics cause psychological harm. Addicts will spend their lives looking for drugs or looking for money to buy drugs instead leading productive lives. Addicts can have their self esteem shattered. Societal harm occurs when drug abuse leads to ruined families and ruined relationships. Addiction can often cause divorces or death. Ruined careers and joblessness can lead to poverty and homelessness. Narcotics trafficking may be the most devastating crime committed by organized crime groups.

The Russians' smuggling of nuclear weapons/materials is obviously the crime with the most potential to cause great physical harm. The amount of harm that illegally-smuggled nuclear weapons could cause is nearly incalculable. America spends billions of dollars on monitoring terrorist groups and rogue nations having, or suspected of having, nuclear weapons. Thus, the crime has economic effects also. Knowing that terrorists or rogue nations have nuclear weapons can psychologically harm Americans

and citizens of countries that America protects, such as South Korea.

Chinese criminals, not really Russian criminals, engage in illegal gambling. This crime causes mainly economic harm since the money spent on gambling goes to criminals instead of into the legitimate marketplace. This crime also causes societal harm since the money does not fund social or government programs as incomes from state lotteries do.

Auto theft, a Russian activity, causes mainly economic harm. The crime can be a serious loss for those without proper car insurance. When insurance companies cover the loss of a stolen cars, premiums rise for the companies subscribers. The crime can also cause psychological harm since people will fear that their cars could be stolen.

Both Chinese and Russian criminals launder their illicit proceeds. Money laundering in itself may not cause harm but it allows criminals to continue their illegal activities. Money laundering's purpose is to hide how illicit proceeds are made. If law enforcers cannot determine how the proceeds are made because they've been laundered, the criminals can continue their illegal money-making crimes without getting caught.

Prostitution is mainly a Chinese crime which causes physical harm. Prostitutes brought in by Chinese are often forced to work long hours over extended periods of time. These women are often abused and frequently carry and spread social diseases. Serious psychological harm can occur also since the women often work against their will, and become demoralized just to cope. Sometimes if the women fail to meet their so-called obligations, their families in Asia are physically harmed. Prostitution also causes economic harm since money is spent on sex instead of going toward something more productive. Also, these women and/or their families are often forced to pay exorbitant amounts of money to their employers or captors. Prostitution can also cause societal harm since afflictions like AIDS can spread and since patronizing a brothel can disrupt the family structure.

Illegal alien smuggling by Chinese leads mainly to physical and economic harm. Their trip America is often appalling and dangerous, especially for the women. Smugglers dissatisfied with how quickly aliens pay back their smuggling fees often abuse and torture the aliens. Many of the aliens are often held in near slavery or, if female, forced into prostitution. Economic harm is caused because aliens must pay excessive amounts at an unrealistic pace. Aliens are seriously harmed psychologically

when the smugglers torture, or threaten to torture and kill, the aliens. Families back home are psychologically harmed when they hear their loved ones being tortured over the telephone. Societal harm occurs when society must somehow support aliens with virtually no marketable skills.

Both Russian and Chinese crime groups commit violent crimes but Russians are far more careful about who they target. Russians tend to better plan their violent acts and tend to attack specific individuals. The far more senseless Chinese are more likely to kill innocent bystanders or kill for no reason, such as what happened at the Golden Dragon restaurant in San Francisco's Chinatown. Violence obviously causes physical harm. Victims who survive violence or those who witness violence can be seriously harmed psychologically. Violence can instill fear and paranoia, and cause people to change their behavior, possibly move from the neighborhood where crime occurred. The loss of a family's breadwinner can lead to economic hardships for the family. Violence can also lead to societal harm. Areas where violence frequently occurs deteriorate.

Chinese criminals are known for intimidating business owners but Russian mobsters frequently extort money also. This intimidation causes economic harm since mer-

chants are forced to pay gangsters money that could support a family, improve the business, or be used in the legitimate marketplace. Victimized merchants can be harmed psychologically, as well as other merchants who may fear they will be victimized. Societal harm occurs when merchants move to a safer area and cause the area they leave behind to deteriorate. Physical harm occurs when noncomplying merchants are injured or killed or have their businesses vandalized or destroyed.

Chinese criminals are more likely to engage in robbery than Russian criminals are. Robbery mainly causes economic harm due to the monetary losses, or the value of what is lost, during robberies. Robbery can mean a complete loss for its victims or, if the stolen items are insured, can lead to higher premiums for the insured. Physical harm can occur also since victims are often physically violated or killed. Also, homes that have been invaded are often ransacked. Robbery can seriously harm victims psychologically, especially if they've been physically violated or have seen someone physically violated. Robbery can create fear and paranoia and lead victimized home owners or merchants to move to safer areas. Areas where robbery is frequent eventually deteriorate, thus causing societal harm.

By analyzing the types of crimes that both groups commit, we can see that the Chinese criminals tend to provide illegal goods and services - heroin, gambling, prostitution and passage to America - in much the same way Italian mobsters provided alcohol during Prohibition and gambling in the 1930s and beyond. Basically, the Chinese criminals are black marketeers. The Russians are large-scale con artists and masters of deception. They use fraud and scams to rip off people, businesses and governments. Determining which group commits the most serious crimes is difficult. We should call it a draw. But Chapters IV, V and VI indicate that Russian criminals commit a wider array, or a greater diversity, of crimes. Out of the Chinese criminals' main crimes, two of them, prostitution and alien smuggling, are similar and somewhat interrelated. The prostitutes and aliens often arrive together and are treated similarly. The Russians tend to experiment more and pursue any channel in which they think money can be made. This indicates that the Russians may be more capable of adapting and surviving.

#### Each Criminal Group's Ability to Operate Nationwide and Affect the Average American

Chinese and Russian organized crime groups differ most in their ability, or willingness, to transcend their own ethnic communities. In Chapter IV we learned that



Russian criminals came to America with the skills that allowed them to commit sophisticated crimes almost immediately after arriving and that they quickly victimized the community at large. The Chinese criminals' ability or willingness to transcend their communities is far more limited. Heroin smuggled in by Chinese criminals has been distributed beyond the Chinese communities but these criminals have not directly victimized the general public, or non-Chinese, extensively. Chinese criminals victimize mainly their own people because of the language and cultural barriers between them and the general public. These criminals normally don't, and can't, relate to the rest of America and have little desire to expand into this larger society that is so alien to them. These language and cultural barriers prevent Chinese criminals from corrupting public officials. Without police or political protection, the criminals' ability to expand into non-Chinese communities is limited. (Chin 236, 237)

We must conclude that Russian criminals are more capable and willing to operate nationwide and to affect the average American.

### Expectations

We have concluded that Russian criminals and their crimes are in general more sophisticated than the crimes

committed by Chinese criminals. We've also found that the seriousness of each group's crimes is about the same but that Russians commit a greater diversity of crimes. Thus, the Russians are more likely to adapt to new challenges and opportunities. The discussion also concluded that Russian criminals are more likely to victimize the general public. We must then finally conclude that Russian organized crime, and not Chinese organized crime, poses a greater threat to American society.

#### Law Enforcement's Approach to Emerging Organized Crime Groups

Law enforcers have taken several steps to tackle emerging crime groups but no one should assume that law enforcers will be as successful with these groups as they were with La Cosa Nostra. Authorities today are confronting groups with less familiar languages and cultures and they face new challenges with technology and eased international borders. This thesis will close by offering goals law enforcers must attain to more effectively battle emerging crime groups.

More money must be allocated to start and fund crime-fighting units that specialize in investigating specific emerging crime groups. Agencies that can't afford to start or fund specialty units should at least make emerging crime groups a higher priority. Also, fed-

eral, state, local and international law enforcement agencies must streamline cooperation between each other. This will require U.S. law enforcement agencies and foreign law enforcement agencies to become more compatible. Some ethnic communities are spreading into several police jurisdictions within a single metropolitan area, such as New York or Los Angeles, thus increasing the need for cooperation at the local level. To ensure continued cooperation, the proper agencies must be rewarded for crimes solved.

Police-community relations must be developed or improved, possibly by having more officers walking their beats. Earning trust from ethnic communities will increase the likelihood that witnesses and victims will feel more comfortable giving information to or seeking help from authorities. Also, witnesses and victims who come forward should be given more protection from perpetrators and/or the associates of perpetrators. This could include preventing prisoners that witnesses have testified against to be released on bail. (Many immigrants unfamiliar with the U.S. judicial system view bail as a form of bribery.)

Authorities must recruit more informants in crime groups, and agents who can infiltrate crime groups and understand wiretapped conversations. Authorities must

make the profession of law enforcement more attractive to upwardly mobile members of emerging ethnic communities. This may require agencies to more frequently reward and promote undercover agents who solve crimes. Also, agencies must become more willing to commit to long term cases and not just cases that will provide quick results. Finally, penalties must be stiffened for young criminals, possibly by trying and punishing them as adults.

(Dombrink 415-428)

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