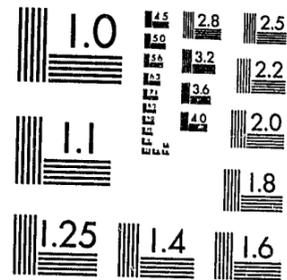


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# Department of Justice

STATEMENT

OF

THE HONORABLE WILLIAM FRENCH SMITH  
ATTORNEY GENERAL OF THE UNITED STATES

BEFORE

SENATE

ACQUISITIONS

THE PRESIDENT'S COMMISSION ON ORGANIZED CRIME

OCTOBER 23, 1984

FEDERAL HALL  
NEW YORK, NEW YORK

Thank you, Judge Kaufman, and members of the Commission. I am pleased to be here in New York as the President's Commission on Organized Crime continues its very important work.

My objective this morning is threefold. First, I am here to announce that the federal government is now achieving its greatest successes ever against the traditional organized crime families entrenched for so long in our major cities. Second, I am here to declare that the federal government has now, for the first time ever, developed a comprehensive response to the international dimensions of organized crime that is already proving extremely successful. Third, I am here to state that we must build upon the successes achieved against organized crime both here and abroad by developing a solid base of information with which law enforcement can most effectively counter the new crime cartels emerging in the Far East and spreading to the West.

Today, I am pleased to report that at no time in our nation's history have so many organized crime leaders in so many of the nation's largest cities been indicted or convicted. During the past four years the leaders of crime families in New Orleans, Kansas City, Detroit, Milwaukee, Denver, Philadelphia, Los Angeles, and Cleveland have been largely immobilized by heavy prison sentences. The syndicates in no fewer than ten cities have been forced to rely on secondary leadership.

This decimation of the organized crime leadership in the United States, which is the result of the outstanding work of our Organized Crime Strike Forces, is very important. Where the government used to report sheer numbers of indictments and convictions, now we can report the results of our actions against those very individuals who mastermind the syndicate's crimes.

We are clearly at a turning point in the history of the fight against organized crime. Over the past quarter of a century, the crime families have been studied, laws have been passed, law enforcement techniques have been refined. But this administration has not only built on the hard work of the past, but also determined that organized crime must finally be reduced to impotence. In my judgment, we may be witnessing nothing less than the beginning of the end of the traditional organized crime that has plagued our nation for so many decades.

Just as we are at a turning point in the battle against the crime families in this country, we are also at an important juncture in a related battle -- the global fight against organized crime. Previously the government's responses to international aspects of organized crime were ad hoc. There was no comprehensive response. That has changed. Indeed, it has had to change.

During my four years as Attorney General, I have been continually impressed with the degree to which organized crime has entered a new historical phase -- its international phase. This development is directly related to drug trafficking, a very

lucrative enterprise. Today, the distance between New York and Palermo is no greater than that between New York and Chicago.

Our response to organized crime has been comprehensive, addressing each of the dimensions of the problem. Because sixty-five percent of the marijuana and nearly all of the cocaine and heroin used in the United States come from abroad, much of it grown in Asian and South American countries that I visited in 1982 and 1983, we have entered into major crop-control agreements with three of these nations -- Pakistan, Peru, and Bolivia. We have also successfully encouraged other nations to reduce their drug crops or substitute legitimate crops in their place. Furthermore, we have successfully encouraged drug-producing countries such as Pakistan, Peru, Colombia and Bolivia to locate and destroy refineries and laboratories.

Another part of our international response is cooperative interdiction. American assistance has proved instrumental in interdiction efforts in Brazil, Peru, and Colombia, where we have seen perhaps the most impressive interdiction results. In 1982, 3,400,000 kilograms of marijuana, 881 kilograms of cocaine, and 1,538 kilograms of cocaine leaves were seized. And last spring, the Colombian National Police landed at a secret airstrip and raided a cocaine processing complex north of the Yori River, seizing cocaine worth approximately \$50 million wholesale and as much as \$2 billion on the street. That is a seizure without precedent in narcotics enforcement.

In addition to these efforts, we have also undertaken a program of negotiations with other nations designed to fashion arrangements under which we can avoid the usual diplomatic

apparatus and deal directly with our law enforcement counterparts on justice-related issues. Specifically, we have sought mutual legal assistance, extradition, and prisoner exchange treaties.

Since 1981 the United States has completed, negotiated or began negotiating mutual assistance enforcement treaties with some 13 nations. Treaties with Turkey and the Netherlands are now in effect. A treaty with Colombia awaits Colombian ratification. Treaties with Italy and Morocco -- treaties the United States entered during my visits to those two countries in the fall of 1983 -- will soon take effect. A treaty with the Federal Republic of Germany has also been negotiated. In progress are treaty negotiations with Canada, Israel, Jamaica, and Thailand. Planned are negotiations with Sweden, Panama, and Costa Rica. And the Bahamas have expressed interest in pursuing a mutual legal assistance treaty.

Meanwhile, in a related matter, we recently signed an agreement with the United Kingdom and the Caymen Islands that allows prosecutors in the United States to obtain on an expedited basis financial data and other documents needed in drug-related investigations.

Since 1980 extradition treaties with seven nations -- Turkey, Colombia, the Netherlands, Mexico, Uruguay, Sweden, and Italy -- have entered into force. Extradition treaties with Ireland and Costa Rica await exchange of ratification documents. Similar treaties with Thailand and Jamaica are almost concluded. And negotiations for extradition treaties are underway with Switzerland, Belgium, France, and Israel.

Indicative of the cooperation among nations today are the joint efforts of law enforcement authorities of two and sometimes more nations in international organized crime cases.

On August 7 of this year, for example, a federal grand jury in Miami indicted 57 defendants in connection with five continuing criminal enterprises and multiple conspiracies involving the importation into the United States from Europe, Canada, South America, and the Bahamas of multi-ton quantities of methaqualone and marijuana, as well as multi-kilo quantities of cocaine. The indictment culminated a two-year international investigation that required the coordinated efforts of the Royal Canadian Mounted Police; the National Police Force of West Germany; law enforcement officials of Panama, Austria, Spain, the Bahamas, and Colombia; and, of course, the Drug Enforcement Administration and the Federal Bureau of Investigation.

Also, last April Spanish authorities arrested a notorious Sicilian Mafia drug trafficker and fugitive from Italy. His arrest initiated further arrests and searches of residences and businesses in Illinois, Wisconsin, Michigan, Pennsylvania, New Jersey, New York -- and Italy and Switzerland. So far, 41 individuals have been indicted in connection with their involvement in a heroin trafficking ring that laundered more than \$54 million in banks in the Bahamas and Switzerland. This case was made possible because of cooperation among American, Swiss, Italian, and Spanish law enforcement authorities.

As a direct result of contact between the President of the United States and the Prime Minister of Italy, and between myself and my counterpart in Italy, a joint U.S.-Italian Working

Group to Combat Organized Crime and Narcotics Trafficking was established this year. Earlier this month in Washington, the group met for the first time. The day before our meeting the United States, acting under the new extradition treaty with Italy, extradited an Italian already serving a 25-year sentence here who faces trial in his homeland. On that same day, also acting under the new treaty, we ordered the arrest of 28 Italians wanted in connection with Italy's recent highly publicized crackdown on its mafia. Italian authorities believe on the basis of information provided by a leading crime figure sent by Brazil to Italy this past summer -- a crime figure thought to be the mastermind of drug trafficking between Sicily and the United States -- that all 28 were involved in the heroin trafficking case that began breaking earlier this year.

These events are reason for optimism that the government can continue to make progress against organized crime. So, too, is the passage of the most comprehensive federal crime bill written in recent years. Reforms in the areas of bail, sentencing, and forfeiture, in particular, will prove of great assistance in countering the cartels. Reforms in these areas by our state houses would further strengthen the law enforcement response.

Nonetheless, I must report to this commission one problematic area of the law that still needs reform. Law enforcement officials have long recognized that perhaps the key to any successful investigation of organized crime depends upon an informant, someone on the inside of a crime ring who, for whatever reason, has decided to cooperate. We need these informants, especially when crime networks stretch around the world. We also

need the cooperation of foreign governments in the exchange of information on crime rings. But requests both for informants and for exchanges are hampered by defects in the Freedom of Information Act.

We can offer informants very little if we cannot offer them freedom from reprisal. FOIA has an exemption for informers that allows us to blot-out names and the like. But organized crime figures have increased the number and sophistication of their requests. DEA now estimates that three of every four FOIA requests it receives come from organized crime figures or people with connections to organized crime. The documents requested are used as pieces of a puzzle, and when pieced together, form a mosaic of information that by elimination can point to an informer.

Our law enforcement counterparts abroad are aware of the defects in our FOIA structure. In a conversation I had with Japanese Minister of Justice Sakata, he stated to me that Japanese authorities would be much more forthcoming with information on Japanese organized crime cartels were it not for the possibility that this information would eventually surface in public through the FOIA process. Nor is it just the Japanese who have these worries. The Royal Canadian Mounted Police, to cite a different example, continue a policy of extreme caution in supplying U.S. officials with information that may have an adverse impact on their informants. Such caution is also demonstrated by some of our own local law enforcement agencies. We have taken these concerns to Congress and pressed for FOIA reforms to assist us in the fight against organized crime. But so far we have been unsuccessful in gaining the exemption that we believe is a critical need.

I have mentioned the Japanese mafia, and this brings me to my third objective this morning -- discussion of the new crime groups based in the Far East. I understand that the commission will be focusing on these groups during its hearings this week. I believe your inquiry is quite appropriate. The more that is known about these emerging groups, and the earlier it can be known, the better. We must learn the lesson of the past; we must stay in front of the emerging crime groups so that they do not become so entrenched that they become all but impossible to root out.

We only recently began to make a systematic study of the Asian-based groups, and this morning I will focus on two of these -- the two major groups, in our judgment.

Based primarily in Hong Kong are the Chinese Triad Societies. We know they have been involved in the United States in the operation of illegal gambling casinos, loansharking, extortion, and drug trafficking. Violence accompanies their criminal work, and in some cities there are increasing indications of collaboration in the areas of narcotics trafficking and gambling between these groups and traditional organized crime.

Operating out of Japan is the Japanese Yakuza or Boryokudan, the term preferred by the National Police of Japan. The Yakuza, which drew front-page attention in the Wall Street Journal just this past Friday, are composed of approximately seven major gangs that are similar in composition and hierarchy to the traditional organized crime families in this country. The Yakuza engage in many of the same criminal activities as the L.C.N., and we suspect collaboration in the areas of pornography, firearms, and stimulant drug smuggling back to Japan.

We believe these Japanese organized crime elements are involved in a new form of corporate extortion. This is how it works: So-called "sokaiya" groups become shareholders of target corporations; they then disrupt stockholders' meetings through violence or filibuster techniques unless their often subtle but very profitable demands are met by the corporate leadership. Additionally, as a result of the extremely large sums generated through their illegal gambling operations in Japan, these groups have vast capital to invest in world-wide interests and they may be intent on taking over legitimate corporations.

As I said, we are just beginning to learn about these groups. What we know is often sketchy. In order to make as strong a response as possible to these groups, the Department of Justice would like to know more -- much more. Among the many questions we have are the following:

In regard to the Chinese Triad Societies, granting that there are some legitimate triad societies, which ones are they, and which are not? To what degree have the illegitimate groups penetrated the Chinese communities in our large cities? How do these groups operate? Do they use the same techniques as traditional organized crime, or largely different ones? How involved are they with traditional organized crime? And what is the nature of this involvement? Does the potential exist for the establishment of an international cartel with connections from Palermo to New York -- and then to Hong Kong? Furthermore, given the fact that Hong Kong will become part of mainland China in 1997 and that because of this fact there is now occurring an exodus of Triad Societies' assets into other parts of the world, is some of

this money now coming into the United States? Where is it being invested?

In regard to the Japanese Yakuza, what is the extent of their involvement in the United States? Is it primarily in Hawaii, and the West, or has the Yakuza become involved in criminal activities on the East Coast, and indeed across America? What is the involvement of the Yakuza in the Japanese tourist trade? How more precisely do the Yakuza attempt corporate extortion? And what is the nature of the apparent alliance between the Yakuza and traditional organized crime?

Again, these are just several of the many questions we have about these groups. Your inquiry into these groups is timely. We look forward to the results of your investigation, and to fashioning a more effective response to these new organized crime groups on the basis of the information you discover.

Thank you very much.

**END**