

ORGANIZED CRIME IN AMERICA

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FIRST SESSION

ON

ORGANIZED CRIME IN AMERICA

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ORGANIZED CRIME IN AMERICA—Part 2

FRIDAY, MAY 20, 1983

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The committee met, pursuant to notice, in room SD-226, Dirksen Senate Office Building, commencing at 9:15 a.m., Hon. Strom Thurmond (chairman of the committee) presiding.

Also present: Senator Denton.

Staff present: Duke Short, chief investigator; Bill Christensen, senior investigator; Allan Spence, investigator; Mary Lynn Batson, investigative clerk.

OPENING STATEMENT OF CHAIRMAN STROM THURMOND

The CHAIRMAN. The committee will come to order.

This morning the committee will continue its hearings on organized crime in America. We will hear more of the attempts to infiltrate legitimate enterprises and the overall effect organized crime has on society.

The pervasive effect of organized crime and its efforts to make money by any means possible is of the utmost importance to this committee. The fact that these groups exist is a concern we must all share, for by their existence alone, they are a serious threat to the public safety.

We have learned that organized crime does not respect international borders. The committee has received testimony that outlaw motorcycle gangs have transported weapons, stolen property, drugs, and fugitives across our borders. The La Cosa Nostra brings hundreds of pounds of heroin into the United States, and in turn, millions of dollars in currency is expended on the purchase of this illegal drug. There is a movement of fugitives and illegal aliens to support the La Cosa Nostra's operations in the United States. Both Canadian and Sicilian LCN factions regularly cross our borders to carry out their illegal activities.

Organized groups of Colombian nationals transport hundreds of kilograms of cocaine and hundreds of thousands of pounds of marijuana into the United States regularly. These groups, in order to protect and expand their cocaine empire, are responsible for numerous murders in Florida and New York City, as well as other areas of the United States. Let there be no doubt that these groups are well organized, and capable of the most ruthless and vicious attacks on their own members, as well as innocent bystanders.

The Yakuza, a group of Japanese criminals, have begun an insidious infiltration into the Western section of the United States, with

the objective of increasing their participation in the illicit drug market. This group, like the others is well organized, and participates in all the traditional types of organized criminal activity, such as prostitution, extortion, and murder.

The common thread among all these groups is that their criminal activities transverse our borders. This morning, our first witness is Mr. William Von Raab, Commissioner of the U.S. Customs Service, one of the oldest law enforcement agencies of this Government. Under the direction of Commissioner Von Raab, the U.S. Customs Service enforces the law as it relates to the smuggling of drugs, weapons, pornography, currency, and other financial instruments, as well as high technology.

Commissioner Von Raab, we welcome you this morning and look forward to your testimony.

Incidentally, I want to commend you on the fine job you are doing. We are very happy to have you in the employ of the Government and wish we had more people like you in Government service.

Mr. VON RAAB. Thank you, Mr. Chairman. That is very kind.

The CHAIRMAN. I might swear in all the witnesses at one time. If you would all stand and raise your hand.

[The chairman swore the witnesses in.]

The CHAIRMAN. Now, Commissioner Von Raab, would you introduce the people with you today.

TESTIMONY OF WILLIAM VON RAAB, COMMISSIONER, U.S. CUSTOMS SERVICE, ACCOMPANIED BY WILLIAM R. LOGAN, DIRECTOR, FINANCIAL INVESTIGATIONS DIVISION, AND BONNI TISCHLER, SENIOR SPECIAL AGENT, FINANCIAL INVESTIGATIONS DIVISION

Mr. VON RAAB. Yes, Mr. Chairman.

At my immediate right is Special Agent William R. "Blue" Logan who is Director of Special Investigations and at his right is Special Agent Bonni Tischler. Both of these agents have been involved in the recent past in many investigations that I think you will find of interest to this committee and Mr. Logan at present is in charge of the division of our Office of Investigation which has most pertinent activity related to organized crime.

Mr. Chairman and distinguished members of this committee, it is indeed a pleasure to appear before you today to discuss the subject of organized crime. The U.S. Customs Service works closely with other Federal, State, and local law enforcement agencies in our attempts to effectively thwart and destroy these illegal profiteering enterprises commonly known as organized crime.

Following our presentation today, I am sure you will be convinced of a number of things. First, that organized crime is no longer limited to the traditional black hand of the Mafia, but rather it is now more akin to that vile mythological being Medussa with her head of serpents. It is a collection of individual covens bound separately by ethnic backgrounds or simply by mutual agreement, but bound as one by greed.

Second, that organized criminal groups have no regard for national boundaries and attempt to use our own constitutional con-

straints in that regard against us. They attempt to travel at will, flouting the laws which our Nation needs to control its borders.

Third, that all organized criminal groups while diverse in their methods and products have but one common denominator, lust for money. The old primary root of all evil. The ultimate fruits of their labors. And while money is their ultimate goal, it is at the same time their Achilles heel.

And fourth, that by attacking the cash flow of these organized criminal groups, we can and will make great strides toward disrupting and ultimately undoing their entire organizations.

Organized criminal groups today are better organized and more sophisticated than any criminal family of the past. They deal in weapons, pornography, drugs, and other materials which undermine our society.

Organized crime of the past has been romanticized in novels and in the newspapers and its myths have been somewhat brought to the forefront in terms of reality. But the days when law enforcement could deal with organized crime and so-called families are fast becoming history. Today's organized crime groups, as you will see from this presentation, are far more fractured and infinitely more diverse than ever before and they are far more violent. Colombians, Cubans, Jamaicans, Indians, Iranians, and Japanese: These are all new nationalities which are known to contain tightly knit groups of organized criminals.

The traditional Mafia families are still operating, of course, but they no longer enjoy a monopoly on crime, and we in law enforcement face an increasingly difficult task.

While the Customs Service, since its inception, has had as its primary mission the collection of revenue from imports and the prevention of smuggling, it has in recent years—particularly, by expressed mandate of the Reagan administration—increased its law enforcement responsibilities whereby one of the highest priorities of our Service is the positive and unstinting commitment of available resources to effectively combat organized crime.

Recently the Customs Service embarked on two new energetic initiatives which have proven to be overwhelming successes. The first program, Operation Exodus, was developed to prevent the Soviet Union from stealing this country's valuable technology. Intelligence sources have told us that this program is having a tremendous disrupting effect on the Soviet Union's illegal efforts.

The second program, the Customs Fraud Investigations Center, was erected to better focus our efforts against customs fraud. Its worth has already been proved through several major cases currently under investigation.

I might point out that one of the major thrusts is in the textile industry which is of particular interest to those in the Carolinas.

To accomplish the critical and demanding enforcement objectives of this administration, the Customs Service utilizes 4,500 inspectors operating at 300 ports of nationwide entry, 1,300 patrol officers operating primarily between ports of entry from air, land, and nationwide marine stations, and over 700 special agents operating from 57 domestic offices and 8 foreign offices. In addition, we have Customs representatives stationed both at Interpol Headquarters in France and at the Washington, D.C., office.

By way of providing some historical background regarding Customs Service involvement in combating organized crime, in 1966 the Federal Government established the Federal organized crime strike force program. The strike force concept, under the U.S. Department of Justice, brought together in one office in each of the selected target cities, criminal investigators from all the major Federal agencies charged with enforcing the sections of the U.S. Criminal Code. These offices also had investigators from State and local agencies assisting in investigations.

Since the inception of this Federal strike force program, Customs special agents as well as enforcement support personnel have been assigned to each of the designated strike force offices.

Law enforcement functions performed in the past and at present by Customs special agents with support from other Customs elements have made uniformly significant and praiseworthy contributions to the strike force program. These efforts include investigations involving cargo theft; currency reporting violations—both narcotics and nonnarcotics; illegal exports of arms, munitions, from the United States; and smuggling of pornographic materials. Other types of investigations conducted by Customs special agents which have identified organized crime involvement include navigation violations and preclearing investigations for Customs bonded carriers and customhouse brokers.

During the last several years, we have conducted a number of highly significant organized crime investigations in conjunction with several strike force offices. In 1977, through the Miami Strike Force, Customs special agents obtained the conviction of several identifiable organized crime personalities in an arms export investigation which accounted for the seizure of 500 fully automatic weapons that were to be illegally exported. This investigation also led to the detection and prosecution of a major bank fraud scheme in New Jersey.

A recently completed Customs strike force investigation in Detroit involved the laundering of one-half million dollars by an accounting firm with ties to a well-known Detroit organized crime family. The type of individuals and businesses involved ranged from a one-man import-export business suspected of narcotics trafficking up to executives of a large international mechanical-electrical contracting company. The money laundering in Canada later was used for purposes ranging from personal enrichment, labor extortion, and commercial bribery. As a result of this investigation by Customs, 18 individuals and 3 companies were found guilty of a variety of felony criminal charges with two accountants being found guilty of RICO. Both were sentenced to long prison terms. In addition to the prison sentences, over \$200,000 was assessed in court fines.

In October 1982, President Reagan identified drug trafficking with its resultant profits for the unscrupulous criminal and the increasing threat of organized crime as the most serious crime problems facing the Nation.

Specifically, the administration has since emphasized the following points of pressing interest to enforcement officials and our concerned communities:

The proceeds from drug trafficking alone enables organized crime to carry out an array of serious crime, including bribery of public officials, infiltration of legitimate business firms, and money laundering and bank fraud which weaken key sectors of our economy.

Because of their profits from drug trafficking and other enterprises, organized criminal groups engaged in a variety of criminal activities have, almost with impunity, done the following:

Organized crime illegally imports and distributes drugs throughout the country which generates high illegal profits.

It uses these profits to buy into or buy up legitimate business firms:

It engages in all types of crimes including pornography, prostitution, gambling—and these are not crimes without victims.

Organized crime engages in murder-for-hire, arson-for-hire, assaults, robberies, loansharking, extortion, fraud, and weapons trafficking.

In some areas of the country, organized crime is so powerful that it has attempted to neutralize law enforcement by paying bribes to criminal justice officials and elected officials. Those bribed officials become the captives of organized crime and will not carry out adequate programs to protect the public against any offenses.

As part of the President's concern for the elimination of drug trafficking and organized crime, we instituted under the direction of Vice President Bush the South Florida Task Force in which Customs plays a very significant part. The task force was created to bring all available Federal resources to bear against drug traffickers who have been using Florida as a virtual free port of entry. By any standard, this effort of coordination between the various agencies, DEA, IRS, Coast Guard, U.S. attorneys, and Customs, was an unparalleled success.

The task force has reduced the flow of drugs into south Florida. It has galvanized community spirit in south Florida and has brought a new feeling of confidence and optimism about the Government's ability to deal with drugs and crime.

The 1982 local law enforcement statistics in south Florida, as reported by the Miami Herald, graphically illustrate this point:

In Dade County, 1982 robberies were down 15 percent below 1981. Drug-related homicides were down 50 percent and homicides involving automatic weapons were off 71 percent.

Drug-related arrests in all of south Florida were up 30 percent in 1982.

South Florida cocaine seizures were up 56 percent and marijuana interdictions up 30 percent. The street value of all drugs seized in south Florida in 1982 exceeded \$4 billion.

Because of the success of Federal law enforcement efforts in Florida, the administration has implemented 12 new drug task forces which will supplement the current Federal efforts directed against organized criminal groups dealing in drugs in the United States and abroad. The thrust of these new task forces will be directed against major drug traffickers throughout the United States, with particular emphasis on organized crime groups and their servile associates.

In addition to the aforementioned task forces, Customs is also committed to various joint Customs/IRS financial task forces set up locally and directed by a number of U.S. attorney's offices across the country. These efforts are directed against various elements of organized crime, and other white collar criminals.

One excellent example of an ongoing Customs Service/Internal Revenue/Justice and Treasury Departments project which has provided Federal law enforcement with a capability to effectively and legally monitor criminal financial transactions is the Treasury Financial Law Enforcement Center which is located in the Customs Service.

The mission to TFLEC is to examine the financial characteristics of the criminal markets and assist in the development of a law enforcement strategy that will exploit the vulnerability of the criminal organization's financial business practices through application of criminal and civil sanctions.

Established in January 1982, TFLEC collects, collates, and analyzes the data obtained under the provisions of the Bank Secrecy Act which is combined with the talents of criminal investigators, intelligence research specialists, automated data processing personnel, and other computer specialists into a financial crimes intelligence center serving the entire Federal law enforcement community. Personnel assigned to the center provide special financially oriented reports and special integrated data base extracts as requested by TFLEC participating agencies. TFLEC personnel also develop financial violator profiles, trafficking patterns, concealment methods, illegal financial networks, and relationships and patterns between Bank Secrecy Act violations and narcotics, organized crime, fraud, and smuggling activities.

TFLEC also produces intelligence products based on special project assignments with personnel selected for these projects based on their background, skill, and experience. Thus far, these projects have resulted in the development of target lists for Operation Greenback in Florida and overseas targets, design and implementation of the TFLEC suspect index in the Treasury enforcement communications system, and a statistical model for determining bank compliance. TFLEC personnel are also responsible for the monitoring of multiagency task forces whose efforts include use of targeting data produced by the center, the maintenance of a central file of financial law enforcement information as it pertains to data collected pursuant to the Bank Secrecy Act, the oversight of the central file and information management systems automation, and the coordination with Federal, State, local, and foreign government agencies, all relative to the dissemination of financial law enforcement information and intelligence.

By attacking the cash flow of criminal organizations, we believe that we can make tremendous headway against organized crime. But rather than talk any further about what we can do, I would like to turn the microphone over to Blue Logan, the Director of Financial Investigations for the Customs Service who will explain what we have done. Mr. Logan will outline some of the cases which he personally was involved with in order to better illustrate the effectiveness of currency investigations.

Following these presentations, I will be happy to answer any questions you may have.

The CHAIRMAN. Thank you very much.

We would be glad to hear from you, Mr. Logan.

Mr. LOGAN. Thank you, Mr. Chairman.

I would like today to discuss two particular types of cases that we have been involved in over the last 3 years. Both are highly different; I think the techniques that were utilized as well as the application of the techniques that were used to penetrate.

The first investigation we entitled the Robert S. Walker and that particular investigation took a period of about 18 months to complete but the evidence presented during that investigation traced the incorporation or creation of the various enterprises from the fall of 1976 through 1981.

I would like to, if I can, on a chronological basis, kind of explain to you how the investigation progressed over that period of time and what the evidence showed.

After being released from Federal custody on drug and mail fraud convictions, Robert S. Walker, in 1976, borrowed \$10,000. According to his own statement, this was his only capital. By 1981, Robert S. Walker, through an offshore trust and Florida corporations, owned or controlled the following assets: A small public airfield with cement strip and several hangars; a fleet of vehicles; a fleet of at least six aircraft; a \$100,000 home; an island in the Bahamas; an offshore bank; a citrus grove with grass landing strip; and a yacht.

This was accomplished through the use of a series of interlocking corporations and legal entities financed through illegal activities, primarily drug smuggling and distribution of controlled substances.

In addition to the foregoing assets, Walker also owned or controlled the following businesses: British West Indies Corp., Rosewood Tampa Corp., and B&D Leasing Inc. The sole and only business of B&D Leasing was to provide, by purchase and lease, equipment, trailers and vehicles to the British West Indies Corp. and its affiliated businesses.

North Tampa Airport Inc.; Turks and Caicos Fidelity Trust which was a foreign legal entity chartered in the Turks and Caicos Island on May 7, 1979 to do banking business. The purpose of this business was to facilitate the movement of money into and out of the United States illegally and to further the violation of other Federal laws. Robert S. Walker was the true owner of these enterprises with Rudolph Key, a foreign national, acting as president of the enterprise on behalf of Walker.

TNCA Trust was the foreign entity created by Robert S. Walker to be the paper owner of the other enterprise. Walker was the true beneficiary of this trust. The primary purpose of these foreign enterprises was to hide the true ownership of the other entities from public view and to protect them from forfeiture. It was one of the intentions of the conspirators to use foreign bank secrecy laws to shield themselves and their activities from detection and prosecution.

The TNCA Trust and the Turks and Caicos Fidelity Trust Limited Entities were the registered owners of a citrus grove located in Orange County, Fla. The grove contained a grass aircraft landing

strip used by Robert S. Walker and others to further or facilitate illegal activities.

These enterprises bought and leased aircraft outside the State of Florida. These aircraft were used in interstate and foreign commerce as well as the narcotics smuggling ventures.

The pattern of racketeering and the enterprises were interrelated. The racketeering acts financed and were *raison d'être* for the enterprises. The enterprises were a cover for, and provided the physical resources used in the racketeering activity. The relationship was symbiotic in nature.

The criminal enterprise involved was more than a simple drug conspiracy. Its growth mirrored the growth in sophistication of the Florida-based drug connection. Legitimate business interests have been utilized to provide a front for, and the resources to conduct, the illegal activities. Artificial increments to Florida's economy have been created by these activities.

The conduct of the enterprise and conspiracy activities require a division of labor and responsibility. On the legal side, Walker used financial advisors, management personnel, pilots, mechanics and laborers. These employees doubled as drug dealers, pilots, off-loaders and couriers. A private investigator was used to screen employees for the enterprise. This included polygraphic screening of potential employees. The private investigator was used as a negotiator to arrange freedom for an arrested associate.

The assets of the enterprise were fundamental to the diversification of the criminal activity. The drug conspiracy was rivaled by the smuggling of currency for third parties. The creation of the off-shore banking interest not only served this purpose, but was a precursor for the formulation of the foreign trust as a legal holder of the assets he maintained in the States.

Based upon the information available, the next step in the process was to have been a move to use the enterprise exclusively for banking and brokering. The plan was to use shares of stock in the Fidelity Trust Limited as a medium of exchange. This would have provided an excellent method of accounting for the movements of money in and out of the country to finance illegal transactions. Public trade in the stock would take the place of currency smuggling.

Walker's organization was held together by a belief it was inviolate. Walker's considerable criminal contacts made it likely that his operation was being considered by the drug underworld as a model for future operations. The parallel growth of the enterprises and the drug and money conspiracies is more than just coincidence. The enterprises "front" for the illegal activity. They are also legitimate receptacles for ill-gotten gains. Pilots and off-loaders can be paid weekly salaries despite the infrequency of drug trafficking activities. The movement of aircraft are legitimately explained. A vehicle for growth diversification has been provided and utilized.

What I am trying to give you there is a summary of basically what the evidence in the investigation showed and chronologically how it occurred.

There were at the end result, when the investigation was finally ended, approximately 23 people that were principals in this, both in the United States and out. The actual activities that we got in-

volved in began in 1979 and that is when Walker and another Tampa area man were negotiating with a source in Colombia to purchase the importation of marihuana and cocaine.

We began an investigation in approximately July of 1980 and that investigation went through until 1981 when it was finally completed.

There were numerous techniques that we used. One of the primary was an undercover operation. We had first inserted a confidential informant into the organization. We had some control problems with him and in turn introduced two undercover agents as pilots. They in turn introduced Special Agent Tischler, to my right here, and Special Agent Tischler introduced myself. The reason for the number of introductions and the number of operations that were going on at the same time was the diversity of Walker's operation. The informant was found for the street level activities. The second introduction of the pilot was good for the fact of the importation and the transportation of narcotics. Yet Walker's organization and Walker himself was growing. That was the reason for the insertion of Ms. Tischler as a principal in another narcotics operation and later on myself as, very frankly, with some financial expertise so we would have a good talking ground.

I have some charts and also some photographs that I would like to show to you, Mr. Chairman, if I may.¹

What it essentially shows, or would like to show, with these charts—over here on the left-hand side of my table is a link analysis of the Walker organization. What we are trying to show graphically, the red circles on the left-hand side of the chart, are the domestic distributors and the blue on the right are the foreign sources of supply and it is I think classic narcotics organization. You have a source of supply in one location and distributors in another. It is like any business enterprise.

What is unusual about this organization, and, very frankly, many, many organizations that are beginning to work, is the lower bottom half of the chart which shows the Walker-controlled corporations and these are simply the corporate entities, both foreign as well as domestic, that the organization was beginning to use not only to hide their profits but also to grow. It is a classic organized crime concept. It has been used for many, many years. It is used by many other groups besides the La Cosa Nostra that are getting involved in this.

The next chart is a depiction of the narcotics flow and it is basically a geographical chart. The areas in blue and in red dictate different periods of time that the activity occurred. The activities prior to March 1980, the majority of the narcotics being brought in were being brought in from the Santa Marta area through to the Turks Caicos into Tampa.

After March 1980 he expanded his drug operation not only into Colombia but Panama and the narcotics were being brought in through the Caymans, Bahamas, and Tampa. Once they were received in Tampa, using the employees of his organization as well as the vehicles and other equipment leased by B&D Leasing, he dis-

¹Photographs and charts start on page 60.

tributed these products, primarily cocaine and marihuana, to distributors in Atlanta, Chicago, and Denver.

This is the other side of any of the organizations. This is the currency flow side. It is just as complicated and just as orchestrated as the techniques that are used for the actual distribution of the commodities.

What this basically does is the same as the narcotics flow in reverse. This is the currency coming back from street level distributors or wholesale distributors in Chicago, Denver, or Atlanta, back into Tampa and then from that point Mr. Walker directed funds to go out directly back to Santa Marta, Barranquilla, Panama, the principals down there for payment and to Turks Caicos and Bahamas, into financial institutions he had set up to arrange for his laundering.

Mr. Walker and his pilot and the Bahamanian banker, Key, were finally arrested and prior to the ultimate indictment of the other principals. It occurred at the airport in Tampa. Myself and Special Agent Tischler had gone undercover at that time. We were going to go with Walker and take this \$500,000 as depicted here into a bank in the Bahamas. This had been explained earlier on tapes, some examples of which I would like to supply for the record.

Mr. SHORT. The \$500,000, is that Federal money?

Mr. LOGAN. That is Federal money for a sting operation.

What is depicted here is simply the money, how it was packaged at his direction and, very frankly, how easy it is to move these amounts of money into and out of the United States. The vehicles and the aircraft were, of course, seized in the operation later.

The photograph I am showing you now is one of the, I guess, more gruesome aspects of the narcotics traffic. This scene—Mr. Walker had a cash-flow problem, something that I guess every businessman is familiar with. He had various operations going at one time and like most businessmen, he was stretching a bit. He had arranged to take the \$500,000 we were to give him and he was financing for some other narcotics loads. The night before we were to leave for the Bahamas, he had arranged for a load of cocaine to come in and he was floating this on the basis that he would take our \$500,000 the next day. Since it was a sting operation and he was arrested, it then became a very severe problem.

The pictures that are up on the wall are what happened to Mr. Walker. After the arrest and after the indictment, Mr. Walker disappeared for a period of time. He was found in a small field in Pasco County, Fla. The pictures on the chart are what his body looked like after that period of time.

What had occurred, an individual by the name of Michael Katz whom we located later, admitted driving the car Walker was killed in at the time of his murder. To date Katz has refused to identify the killers, with the exception that he has identified them as a couple of Colombians. Katz was charged with first degree murder and is awaiting trial on the matter in Tampa.

The CHAIRMAN. I believe you said he was strangled. Is that correct?

Mr. LOGAN. That is correct. I do not know a lot about the actual circumstances. I was not there when it occurred. But as the agents described it, it was a 15-inch rope around a 17-inch neck.

That ended his involvement, at least to that time, in the narcotics organization. The rest of the principals in the organization, as well as his various advisers and employees, were subsequently indicted on July 9, 1981 in Tampa and a majority of those people were subsequently convicted and are presently serving time.

It is interesting to me to note that the Walker organization, from the evidence we obtained, apparently laundered in excess of \$10 million in that 2-year period of time. That was all narcotics-related money.

MOTIVE FOR KILLING

The CHAIRMAN. Speaking of Walker, was there an established motive for killing him?

Mr. LOGAN. Yes, sir, there was. Apparently he owed the moneys to a particular Colombian and I am not saying this would be the evidence for the record presented at trial but what the intelligence information indicated, he did owe money. He did not pay the money and therefore they were making an example of him. It was a Colombian-based source.

The CHAIRMAN. What happened to the half million dollars which was furnished?

Mr. LOGAN. That came back into our custody and was returned to the Treasury's general fund later.

The CHAIRMAN. How did you get that back?

Mr. LOGAN. We were there, Ms. Tischler and myself, at the time of the arrest, both in undercover capacity. We recovered those moneys as well as other assets the organization owned over the next period of about 4 months.

The CHAIRMAN. Was that money marked so that you could tell it was the same money?

Mr. LOGAN. No, not marked as such. Frankly, we found out, Mr. Chairman, that many of the organizations we have been investigating over the last 3 years have purchased money counting machines and other devices that allow them to know when money is marked or whatever technique is used. What we do is take the serial numbers on the bills so they can be located later if there is a loss or something goes wrong. We did not have that much worry in this investigation. We felt we had it tightly controlled.

Beside myself and Ms. Tischler on the ground, we had helicopter crews and ground crews in the area because we intended not only to make the arrests, but seize the airport and other articles we could identify in the investigation.

The CHAIRMAN. You may proceed.

Mr. LOGAN. I would like to enter into the record, I think I mentioned earlier, some transcripts of undercover conversations between Mr. Walker, myself and Ms. Tischler. I will play a minute or so with your permission—they are Walker's explanation of how he set up blind trusts, how he set up both the foreign and the domestic corporations, what their purpose was and a pretty good history of his growth.

The CHAIRMAN. How did you record that?

Mr. LOGAN. There were two ways. I wore a body device underneath my clothing and Special Agent Tischler had another device which she was carrying.

[Whereupon, a brief portion of a tape recording was played.]

Mr. LOGAN. I would like to pause. It was very, very difficult to understand and that is why we provided a transcript.

His comment is: "I'm telling you the biggest secret in the world" and what he is basically doing is taking his knowledge and the knowledge of his advisers, both the financial as well as the commercial and accounting, attorney type advisers, he had and he is beginning to explain exactly how he set his corporate structure up, again, what it is used for, how it can be hit and what the problems with it are.

Mr. Chairman, with your permission, I would like to present those for the record.

The CHAIRMAN. Without objection, they will be entered.¹

Mr. LOGAN. To my right is Special Agent Tischler. She was the primary undercover operative in the Walker investigation. Ms. Tischler was also instrumental in several major investigations in Miami during this 3-year period of time.

What I would like her to do, with your permission, again, is to explain the investigation we entitled the Viomar and Company Investigation. It is an OCR type of activity. It was unique and primarily purely money. We had very little narcotics information or anything else at this time. This is a very classic case of money laundering.

Ms. TISCHLER. Mr. Chairman, this case was brought to the attention of U.S. Customs in 1978. Our analysts at headquarters reviewed currency transaction reports and the international reports of transportation of currency or monetary instruments, did some preliminary work and Viomar was submitted to Operation Greenback as one of the original target cases.

At that point in time we had no idea what these people were doing in terms of how they were laundering money. We thought we were looking at a narcotics operation.

What it turned out to be was purely a money laundering operation. Viomar was an inter- and intra-familial organization. Everybody that touched the cash was related to one another. There was a grandfather, there were children involved in it, and there were several married couples and what they had done was set up a laundering organization that worked primarily in Barranquilla, Colombia and San Andres Island off the coast of Panama, but also Colombia, and in Miami.

When the investigation was completed, eight individuals were indicted and two paper corporations as well as a corporation that was in actual use in Miami, Fla.

Viomar itself is really just a name that combined two names, Violeta Gateno and Margarita Bejman. That is how they got all their names. All the corporate names were based on their own family names.

This chart shows how they were interlocking: Viomar, J&M, Pavillion and Mosbel. They existed for no other reason than to laun-

¹Can be found on page 53.

der the cash and to manipulate the course of the money they were receiving.¹

There were many different ways of doing this. They utilized one or two simple ways and after this organization was brought down, the rest of the organizations in Miami that Greenback touched used many more complex plans. Basically, what was happening was that Viomar was a black market currency exchange in Barranquilla, Colombia and basically what was happening was that legitimate individuals would come in to try to exchange pesos for dollars and then the narcotics traffickers would also try to exchange dollars for pesos so they could use those in Colombia.

Through a complicated juggling act, so to speak, cash was transported into the United States.

Now there was testimony throughout this case that, for instance, in 1980 \$77 million was transported into the United States from Colombia but only \$10 million was reported to U.S. Customs Service at the border on arrival.

At the onset Viomar was very strange to us and so we input the names of the principals into the Treasury enforcement computer maintained by Customs and we were able to stop Felix Gateno who was the principal member of the organization on arrival in Miami, Fla. What we did with him was talk to him about his so-called currency exchange activities and we warned him that the United States considered him a financial institution and as such, for every transaction that he dealt with in the United States of \$10,000 or more in cash, he would be responsible for filing a currency transaction report.

At that time he told me and the IRS agent that went out to talk to him that he could not report cash on receipt because his clients did not want their names on any kind of document. We explained to him that was his problem and now that he had been warned, he would in fact be responsible for complying with this law and that was just the way it was.

Also, at the same point in time we told him to make sure that when he was transporting cash into the United States or out, he report all the cash that was being brought into or out of the country. This took place over a series of a couple of days and on one particular day, his son, Saby Gateno, was actually there when we were discussing the issue with him.

That was in October of 1980.

In December 1980, Christmas Eve, the boy Saby was caught leaving the United States with \$130,000 in his possession that was concealed inside a Christmas package which he had failed to report. He was stopped by U.S. Customs Service and the money was confiscated.

Along with the cash, and really for our purposes more important, were accounting records which showed 2 or 3 months of their currency laundering in the Miami area.

We were able to develop information from these records which ultimately led to their downfall. These people were indicted for title 31—for both sides—failure to file the currency transaction re-

¹Chart can be found on page 79.

ports as a financial institution and also failure to file the international forms to Customs on their transportations.

The main issue here was a conspiracy to defraud the Government by failing to file both these forms.

All the other cases we ever handled used more traditional methods of getting at these organizations.

The CHAIRMAN. Just a minute. There is a murmur in here. I just cannot hear. I do not know where it is coming from.

You may proceed.

LAUNDERED MILLIONS

Ms. TISCHLER. This was purely a financial operation. As an exercise, we just used title 31 so that we could in fact show it was possible to do a case without any other substantive violations. There were narcotics traffickers attached to this organization. In a period of 2 years Viomar laundered over \$180 million that we could document.

The CHAIRMAN. Laundered over \$180 million?

Ms. TISCHLER. Yes, sir. Mostly through their transactions between Colombia, the United States and Panama. The corporations were all registered in Panama and they were well hidden down there. We managed eventually to get their records even through the banks here in the United States when we subpoenaed their accounts.

After the criminal indictments were put forth, we went forward to the U.S. Treasury Department and we were able to secure a \$23 million penalty against this group for failure to file the report of international transportation on arrival in the United States. Temporary restraining orders were obtained. Two hundred cars, an apartment house and a number of other assets were tied up in litigation in Florida.

I just heard this week, that what the organizations representatives are going to do is dissolve the corporation in Florida which is the car rental corporation and pay off the debts to the United States.

Except for two members convicted, all of the rest of the organizations members are fugitives and are in Colombia. We have requested Colombia, through the existing treaty, to repatriate these individuals to the United States. To date, however, they have not returned.

The CHAIRMAN. You may proceed.

Mr. VON RAAB. That is the end of our formal presentation. We would be happy to answer any questions you might have.

SOME CASINOS LAUNDER MONEY

The CHAIRMAN. Commissioner Von Raab, it has come to the attention of this committee that some gambling casinos have been utilized to launder money. Is that correct?

Mr. VON RAAB. That is correct. From information available to Customs concerning some cashier cage activities which we received primarily from State and local authorities and in some cases information from the Internal Revenue Service, this activity is taking place. Of course, we are incapable of monitoring that because casi-

nos are not covered by provisions of the Bank Secrecy Act, information from which enabled us to make many of the cases we have described here.

The CHAIRMAN. How is the laundering of money in casinos accomplished and would you give us some illustration?

Mr. VON RAAB. I will try, and then I will ask Mr. Logan to come up with some others.

First of all, it is most important to realize that there are many ways this can be done because, except in the reporting provisions of the Bank Secrecy Act, a whole field of opportunities are opened up to casinos to move cash or cash equivalent around the country and in and out of the country.

If I were advising someone on trying to launder money or move it in and out of the country, and I am sure this would not be any special information, but I think the use of associate casinos is probably the best. You would go into one particular casino, buy a large number of chips, obtain a credit at that casino for, let us say, \$100,000, do a little gambling with a few thousand dollars, retain your credit and then go abroad to an associate casino and then withdraw the same amount of cash that you had posted in the domestic casino and thereby bringing \$90,000 out of the United States without filing any reporting forms.

To me that would be the most obvious way to bypass some of the regulations that would have otherwise required that individual to file a form with the U.S. Customs Service evidencing bringing \$90,000 of cash out of the United States.

So merely by bringing institutions that handle tremendous amounts of cash in—there is a fantastic opportunity to use that illegally, even in some cases—many cases, without the knowledge of the casinos, that it was being used for this purpose.

Blue, do you have anything?

Mr. LOGAN. No, Commissioner. I think you have summed it up quite well.

The CHAIRMAN. I was just wondering why gambling casinos are not required to report large financial transactions to the Treasury Department, as banks and other financial institutions do. Are they exempted under the law? Is there a regulation?

Mr. VON RAAB. I believe it is a regulatory decision. In the initial regulations, as written by the Treasury Department, they were not included, I believe on the basis of a combined policy and legal decision made within the Treasury Department.

The CHAIRMAN. The Treasury Department does not require them to do that?

Mr. VON RAAB. The regulations that were written by the Treasury Department under the Bank Secrecy Act do not require the casinos to follow these regulations.

The CHAIRMAN. If that is the regulation, that could be changed without a statutory law change.

Mr. VON RAAB. That is true.

The CHAIRMAN. Do you think that would be helpful?

Mr. VON RAAB. Well, viewed from my parochial perspective as the Commissioner of Customs, it would be helpful to the Customs Service in its administration of the Bank Secrecy Act and in sup-

port of the kinds of investigations that Mr. Logan does, it would be helpful to us to have that sort of a change made.

I cannot speak with respect to the inconvenience or problems that it might cause the management or administration of casinos.

Senator DENTON. Would the chairman yield?

The CHAIRMAN. I would be glad to yield.

Senator DENTON. If we were to impose on our domestic casinos the kinds of general requirements we have on our racetracks, such that a large payoff has to be reported and a customer has to hold onto his losing ticket. If we were to cause the casinos to keep track of losses and gains, we could handle laundering of cash at the overseas casinos.

Mr. VON RAAB. I would like to distinguish for you the different purposes of the Customs Service and the Internal Revenue Service in this respect. The Internal Revenue Service is concerned with making sure that people report moneys that they have made; in other words, profits or taxable income. The Customs Service, on the other hand, is not concerned—I am not saying we are unconcerned but that is not our immediate responsibility—our concern is to follow cash that is moving around and in and out of the United States. Mr. Logan can probably make a better explanation as to why that is not correct.

Mr. LOGAN. I believe I can. If I understand your question, Senator.

If moneys are wired from one casino to another, or if an informal arrangement is made whereby an equal amount is placed in the cashier's cage at one location in the United States, an individual travels to a foreign country and an equal amount is taken from another cashier. I am not certain there could be a way we could have that reported under the Bank Secrecy Act. However, that is something that is of record in a casino itself, that that is occurring.

I think what the Commissioner and myself were referring to were the actual physical transportations of currency that are made at the direction of the casino by credit collectors, by credit lines, by couriers from the casino and these couriers carry not only cash into the United States and out of the United States, but also gambling markers for debts they are collecting all over the world.

Senator DENTON. I did not mean to interrupt. The basic thrust of the question was how we can acquire overseas, in another country, some proof that the guy was not lying when he said what did or did not happen in the way of gains or losses, without a witness, without an agent, or something.

Mr. LOGAN. Possibly I was not clear in my response to that. What we would like from the Customs side of it is that the actual physical transportation of the funds be reported. If the regulatory change was made, and again I am probably as parochial as the Commissioner, if not more so, then the cashier's cage would have to report both the domestic transaction of \$10,000, that is a physical cash transfer at the cashier itself, as well as the casino would have to report either the courier or the casino itself when moneys were physically transported out of the United States or into the United States on behalf of that casino.

Mr. VON RAAB. Let us assume that a narcotics trafficker has got himself half a million bucks in cash that has come up from the

street. He has got to get it out of the country. He has to return a certain percentage to the guys that sold him the stuff. He cannot bring it out himself because if he does and he does not file the proper forms with Customs, he is in trouble and he does not want to go to jail. So he has a couple of choices. One is he could run it out. He might get it out but if he did not make it, he is in trouble. So he takes that money to a casino and says, here I want to buy \$500,000 worth of chips or maybe \$100,000 a day for 5 days. He turns his chips back in. He has a credit of \$500,000. He gets them to wire that amount to an associate casino in the Bahamas. He pretends to gamble a little bit and then says, turn over my credit. He has effectively got this \$500,000 over there.

However, if the casinos were required to conform to the requirements of the Cash Reporting Act, we feel we have a better knowledge that this guy had taken half a million bucks out of the country and knowing that, then we would begin one of our investigations or maybe we already know he is involved in narcotics trafficking. Then we can begin an investigation and look into who his associates are.

It is an opening wedge we have each time a form is filed. If a form is not filed, what we have gotten someone to do there is consciously and intentionally commit a crime and that makes life tough for him. If he does something, we catch him. We then have a criminal action on his part. So that is really the way it is supposed to work.

Senator DENTON. I did not mean to infringe on your time.

The CHAIRMAN. And the Treasury Department would collect that?

Mr. VAN RAAB. Yes, sir.

EFFECT OF MILLER AND RAMSEY CASES

The CHAIRMAN. Now, Mr. Van Raab, what effect has the *Miller* case in 1973 and the *Ramsey* case in 1977 had on the enforcement efforts of the Customs Service?

Mr. VAN RAAB. The *Miller* case, of course, has made it somewhat difficult for the Customs Service to enforce the pornography laws. Pornography is contraband under our terms, the *Miller* case basically loosened up the standards with respect to what is or what is not pornography. Therefore, every time you loosen up standards, law enforcement officials lose some of their enthusiasm for their job because they realize that tremendous efforts on their part might not result in criminal or civil actions and so its primary effect on the Customs Service, and more importantly, on the management of the Customs Service, which I was not a part of at the time, was to play down the enthusiasm and lower the effort of the Customs Service in the pornography interdiction.

As far as the *Ramsey* case is concerned, that actually basically was a positive decision in that it confirmed the Customs, authority to open letter mail but there was some perversity of response to it. It actually resulted in the Customs Service taking a less active role in the opening of mail because the result of the decision was to make the post office nervous about the Customs Service actions with respect to opening mail as a result of which an agreement

was established within the Customs Service and the post office in which it was agreed that a postal inspector would have to be present at the time that letter class mail was opened to ensure that Customs was not opening the mail to read it but was opening it in order to identify contraband within it.

So to some degree, because of a very careful reading of the *Ramsey* decision, we actually stepped back a little bit from an aggressive posture with respect to opening letter class mail. That is a difficult explanation but I hope I have made it clear.

The CHAIRMAN. Do you have a recommendation to make on the subject?

Mr. VON RAAB. Well, I think the recommendation with respect to pornography is a general one and I think the President has made it and that is, the entire Federal law enforcement establishment must take a new look at the problem of pornography, increase its efforts, increase its enthusiasm, put more resources into it and be more aggressive. Those were my terms. They were not the ones the President used but he did meet with a group of concerned churchmen and civil leaders toward the end of March in which this issue was discussed at length and I believe as a result of that meeting and the enthusiasm that the President showed for a renewed attack on pornography, you will certainly see, at least certainly in the Customs Service, an increased effort on our part to attack the problem.

The CHAIRMAN. Do you recommend any statutory change to offset the decision?

Mr. VON RAAB. I think one of the problems has to do with the level at which criminal activity is acquired and right now if there are importations for commercial purposes. Short of importations for commercial purposes, it would appear that under the way the laws have been interpreted and managed by the various enforcement authorities, that there is not a criminal case and, therefore, the recipients of a lot of pornography, both child and adult pornography, regardless of the amount that they may receive, unless it can be shown that it is for commercial purposes, it is usually not a criminal matter and, therefore, it is just a matter of civil forfeiture which, although disruptive to the pornographic traffickers, is not as much a problem as might be a criminal case.

CUSTOMS ROLE IN COMBATING PORNOGRAPHY

The CHAIRMAN. What role does the Customs Service play in suppressing or combating organized crime's involvement in pornography?

Mr. VON RAAB. The Customs Service is responsible at the border for preventing contraband from entering the United States. There is no question that organized crime is very much involved in the distribution of pornography. This is not only organized crime within the United States but also, interestingly enough, some conversations I have had with some of our Customs attachés abroad, many of the organizations involved in the production of pornography outside the United States are also criminal organizations.

So in attacking pornography at the border, the Customs Service is in effect disrupting one of the activities of organized crime.

Senator DENTON [presiding]. I was informed of the opportunity to chair this hearing a matter of tens of hours ago. I have been busy, as the other Senators were, on the floor.

So I apologize for any repetition that may be involved in my questions or any lapse in continuum which is evident in anything I say.

Let me express my admiration both for the two agents who have, I daresay, risked their lives in such a high game as narcotics, blowing the whistle thereon, and to Mr. Von Raab for his willingness, indeed eagerness, to get into a field which I think is causing us more in the way of unhappiness and monetary loss than we have come to realize.

Did I understand the last answer, or perhaps the second to last, I was saying goodbye to the chairman, to indicate that one of the difficulties is in prosecuting child pornography or pornography in general, that one has to prove that it is for commercial use and that the use of the—the interpretation of the term “commercial use” could be questionable, if I were buying pornography material on the newsstand or by now, let us say, for my own so-called personal use? Am I required to be a distributor before it is so-called commercial?

Mr. VON RAAB. No. It is the way the system works. If it is not for commercial use, and, it usually is a minor amount that the courts treat it lightly and, therefore, the prosecution of it is unlikely.

Senator DENTON. If you are not the proper person I would like to ask about the percentage of mail in which pornographic material is transported for commercial purposes. Right now we at this hearing, I gather, are principally going to concentrate on child pornography and right now we are discussing with you the Customs involvement in that.

Therefore, are you talking about importation and the limitations?

Mr. VON RAAB. Right.

Senator DENTON. How would you characterize the extent to which organized crime is involved in pornography? Could you give us a percentage of money that might be involved and what is the Customs Service doing to combat this problem?

Mr. VON RAAB. There is no question that organized crime is involved in the distribution of pornography. I am not—I will not go so far as to say it controls the distribution of pornography. As you are well aware, pornography is so rampant in this country that, unfortunately, a lot of people are involved in its distribution. The straightforward commercial distribution of pornography, I would say, is one of the important activities of organized criminal—or of criminal organizations in the United States.

So in that respect, organized crime is a significant factor in the distribution of pornography.

As I was stating just as we were changing the chairmanship, interesting also to me is that the organizations outside of the United States who often are shipping pornography to the United States have criminal associations. Many of us think, for example, that somehow there is some sort of happy nerverna in a foreign country where everyone runs around like Adam and Eve and they are happy people shipping this free exchange of information into the

United States. That is not the case. The organizations shipping out of Europe, many, many times are crumby, terrible, vile criminal organizations and not some sort of free thinking, angelic, nudist colony somewhere. It is a serious criminal activity on both sides of the Atlantic.

Senator DENTON. After you do seize pornographic material, do you make controlled deliveries, and if so, what is the purpose of that?

Mr. VON RAAB. Well, the purpose of the controlled delivery, obviously, is to identify and ultimately to prosecute everyone involved in an ongoing criminal exercise and we do at times attempt to make controlled deliveries of pornography, particularly if it is a large amount of pornography. However, controlled deliveries are difficult to be made through the mails because of the problems that the post office finds with what we call the redelivery, and that is, in order to make a controlled delivery, the pornographic material must be redelivered at some point to the Customs Service so that it can be shown, when we open it, that it is pornographic.

Senator DENTON. Is seizing pornographic material, especially the child pornography, the extent of your Service's investigative involvement in pornography?

Mr. VON RAAB. For the most part that is a large part of what we do because unless, as I told you, the shipment could be shown to have commercial value, all we really can do with it is seize it and forfeit it. We do, however, whenever possible, when the conditions warrant, begin an investigation for criminal prosecution of major commercial shipments. This has not been done very much over the past few years because, as you are probably well aware, the U.S. attorney's offices have been reluctant to accept cases for criminal prosecution involving adult pornography and in some cases, unless it was a particularly good case, even somewhat reluctant on child pornography.

Therefore, that necessarily has an impact on the Customs Service because Customs Service does not want to spend a lot of time investigating a case that ultimately is not going to be picked up for prosecution by the Justice Department.

I look forward to seeing that changed as a result of a meeting that was held on March 28.

Senator DENTON. The FBI in that regard, representatives thereof, day before yesterday told me that except for child pornography, they do not try to prosecute any pornography cases or investigate them unless they involve child pornography because of the *Ferber* case and the insidious infringement on children, children's innocence and well being. This gives us a clue as to how the pornographers attack our own Government, when it prosecutes under laws which are on the books respecting pornography and have been there since the late 18th century.

Could you give us an example of a child pornography case which was declined?

Mr. VON RAAB. Mr. Logan is probably better equipped to give you the details of a particular case which we would be happy to discuss with you.

Mr. LOGAN. The case I refer to is the *Monica Iverson Co.* case. This was an investigation that was developed in Los Angeles in

1979. Monica Iverson is a company based in West Germany and at that time it was the largest distributor of child pornography in the United States. The lead was furnished to the U.S. Customs Service through our attaché in Bonn who worked very closely with the Bonn authorities.

As a result of the investigation and the search warrant they executed in Germany, we located three individuals who had been receiving this type of material and we executed three search warrants here in the States. The results of the search warrants were presented to the U.S. attorney for general prosecution and the case was put together. It was declined by the U.S. attorney's office in the Central District of California and the criminal prosecution by local authorities for photographs of a foster child was barred by the statute of limitations.

Let me give you an example of this case. One of the individual cases that was presented was an individual that was a schoolteacher, a minister, a foster parent and also worked with an orphanage in Mexico. The evidence obtained as a result of a search warrant on that location and at least two others included written notification from Customs regarding illegality of importing child pornography, the subsequent importation of child pornography, sexual relations with a 9-year-old girl from an orphanage in Mexico, offering photographs of the individual and a 9-year-old girl, a letter from the prosecutor accepting the photos, a letter offering payment for the pornographic material, a copy of the magazine featuring this subject and the 9-year-old girl.

This is an example of a case that was declined.

Senator DENTON. For the record, there were 10,000 people involved in this but 3 were chosen as samples?

Mr. LOGAN. Yes. The search warrant that was executed in Germany produced the identities of people here in the United States that were receiving this type of literature. Three of those were selected as models for prosecution.

I think as the Commissioner said earlier, it is very difficult for these because of the types that are necessary for prosecution. This was 3 of 10,000, yes.

Senator DENTON. I would like to say for the record at this point that having jurisdiction in another subcommittee of which I am chairman, Family and Human Services, I have been holding a series of hearings on the breakdown of the family in the United States. And in my capacity as chairman of the Subcommittee on Security and Terrorism, I have jurisdiction over the Drug Enforcement Administration. So the testimony here this morning ties in with other information which I have received from other sources. And I must say, the harm being done to our country and the lack of response is appalling from my point of view.

I also want to make clear for the record that I am not against pornography and obscenity because I am a prude or wish to return to a Victorian age. I am interested in it, first, because it is partly my job to have something to do with enforcing the law and writing it and when I notice the efforts at prosecution and what the law would require thereof, I am alerted and alarmed and when I notice the difference between that which existed 20 years ago regarding the chances of people to pursue happiness successfully, form sus-

tained marriages which were happy, with happy lives as young people, and that which exists today, I find a remarkable change in which pornography and narcotics have tremendous influence.

Adversely, we have, among other things, among teenagers, the highest rated cause of death, automobile accidents, usually drug related; second is homicide and third, suicide. When I was a teenager, not being faced with the same bombardment of influences, none of those 3 were in the top 10.

So the sexual revolution and the drug liberation have not brought happiness to our society, nor, I believe, to our Nation, in my solemn view. And no matter how I might have been criticized, that is my position on this.

I am firmly in consonance but I am willing to listen to any kind of criticisms or modifications or any criticisms or additions to my point of view which might modify it.

What recommendations, either legislatively—excuse me.

Have the individuals who operate the Monica Iverson Co. both abroad and in the United States been identified and are they still engaged in pornography trafficking?

Mr. LOGAN. The principals in Germany were arrested and they stood trial for child pornography. The company is still involved in pornography, yes. Pornography itself is not against the law in Germany. Child pornography is.

I might add that we have no information, at least as of today, that there are any U.S. representatives in the United States for this particular company but the company does continue to operate.

Senator DENTON. What recommendations, either legislative or of an enforcement nature, do you suggest to more effectively deal with organizations and individuals who traffic in child pornography?

Mr. VON RAAB. I did briefly answer that question to Chairman Thurmond—

Senator DENTON. For example, you had referred to some things, 10 days to bring the thing to prosecution, lesser standards, meaning less law enforcement enthusiasm, maybe some hint of lack of coordination among the various Government agencies involved with this, the ability to wash the money through casinos, that sort of thing. But I would hope that you would be as specific and as thorough as possible in making any recommendations you might regarding such changes in legislation or enforcement regulations.

Mr. VON RAAB. Well, first, if you would permit me, I did make some remarks at the White House meeting on obscenity which contains a number of recommendations and commitments, at least on behalf of the U.S. Customs Service, with respect to what it will be doing on pornography and it might be of interest to you, both for your other committee as well as this one, if you will permit me to introduce this into the record.

Senator DENTON. Fine. My question was not at all intended to imply you did not have or had not made a number of recommendations, of which I was unaware. At this hearing itself I had not heard any.

Mr. VON RAAB. I understand. What I was saying is that a number of recommendations I would make have already been

made by the President and it is just a question of seeing how those actually manifest in the field.

I want to make it clear that the President has made many of these recommendations but I would reiterate them and that is the Department of Justice will necessarily have to prosecute pornography cases, both adult and child pornography, more vigorously and that is just a question of getting the message to the U.S. attorneys. That is very important.

Senator DENTON. I hope that that is—I believe that that is the policy which the Judiciary Committee will have and propound. It is certainly one which the Labor and Human Resources Committee will, especially through my Subcommittee on Family and Human Resources.

I wish to commend you and the President for your appointment because it has been a long overdue area of neglect.

What is the name of the publication or set of papers which you wish to have introduced?

Mr. VON RAAB. My remarks before the White House meeting on obscenity held on March 28, 1983.

Senator DENTON. Without objection, those remarks as described will be entered into the record.

[The material referred to follows:]

REMARKS BY
WILLIAM von RAAB
COMMISSIONER OF CUSTOMS
WHITE HOUSE MEETING ON OBSCENITY
MARCH 28, 1983

I am proud of the Customs Service's efforts to stop drugs from being smuggled into this country. I am proud of the job we have done to ferret out drug-related money laundering operations. And I am immensely proud of the job we are doing to disrupt Soviet efforts to steal our nation's advanced technology.

I am proud of these accomplishments, but I cannot come before you today and say that I am proud of the Customs Service's recent record in enforcing our nation's obscenity laws.

The past Administration left behind a legacy of lax law enforcement. In some areas this amounted to moral bankruptcy. As just as the drug interdiction and export control laws were found virtually to be unenforced, so too are our nation's obscenity laws.

Sins of omission like these are slow to surface. I have been preoccupied with narcotics and national security crimes; but through the efforts of your group, my attention has been properly brought to this matter of supreme moral importance. I have often spoken of Customs responsibility to protect our nation's health, safety and economy. Moral health is no less important than physical health. Enforcement of obscenity laws need not remain covered with the dust of past inaction. Enforcement of this law as with virtually any law is a matter of emphasis.

The Customs Service stands ready to reemphasize strong enforcement of obscenity laws.

I am told that overseas pornography distributors factor U.S. Customs seizures into their cost of doing business. Well, send the word that their cost of doing business is about to go up!

Some members of your group have compiled a list of recommendations for me with ways which the Customs Service might reemphasize the enforcement of the obscenity laws. I would like to address myself to those recommendations.

First, you have asked me to explain the reasons for a decline in Customs pornography seizures from 15,000 in 1975 to 1500 in 1980. In order to take appropriate corrective measures I am still looking into this, but there are apparently a number of reasons for this decline.

Since 1973, there have been several Supreme Court cases which, combined with an uninterested Administration, have sent a message to Customs mail specialists that our country was no longer concerned with stopping pornography. The Miller decision in 1973 relaxed obscenity standards by leaving them to be established by each individual community. And the Ramsey decision in 1977, which recognized Customs authority to open and examine letter-class mail from abroad resulted in Customs mail specialists coming under intense scrutiny for that practice, and it probably had a negative effect upon the energies of our mail specialists, which management did not properly identify at the time.

Seizures of pornography dropped off by nearly 39 percent in 1977, and I can only assume that part of the reason for this dramatic decline was the impact of these Supreme Court decisions

compounded by an administration that severely cut resources in this area. I assure you that I care.

The second recommendation which was proposed is that Customs reactivate the Imports Compliance Unit in New York. I certainly agree with the purpose of this recommendation but feel that it can be accomplished in a non-bureaucratic manner.

The Imports Compliance Unit represented what I feel was an unnecessary level of bureaucracy. It was one more stop for paperwork to make before being referred to the U.S. Attorney. In fact, the statistics do not bear out that this was a successful organization. In its best year since 1974, it seized 10 films out of nearly 600 screened, and in its last full year of existence, 1981, it seized only one film out of over 1,500 screened. Other than films, the unit made no initial determinations as to what was or was not obscene material.

In order to respond to your concerns, I will identify by name, sufficient Import Specialists who will have the primary responsibility to handle this work.

The third recommendation is that the 14-day time period within which we must present a seizure to court for forfeiture proceedings be reinstated. Quite frankly, I was not aware that it had been changed. Internal procedures dictate that a Customs Officer must forward seized materials to a U.S. Attorney within 4 days of the date of seizure. This is necessary in order to permit the U.S. Attorney sufficient time to prepare a forfeiture case within the 14-day limit which was established by the Supreme Court.

The fourth recommendation is that the "waiver of screening" form be modified to ask specific questions about the content of a film. I have been given a copy of a revised "waiver of screening" form which was published in October of last year. This form includes these recommendations. I would be happy to send a copy to any of you who would be interested.

The fifth recommendation is the appointment of at least one Customs Official in every port who is an expert on obscenity laws and regulations. This suggestion is a good one and I plan to implement it at those ports which pose the greatest threats.

The sixth recommendation calls for orderly recordkeeping of the "waiver of screening" forms. This too I am having reviewed in order to better determine our current use of these forms. I assure you that these forms will not be lost forever in the back of a file cabinet somewhere within the bureaucracy.

The seventh recommendation calls for annual reports to be furnished to Customs headquarters and for full accountability of the actions of the officers in the field. I agree that a greater level of review must be undertaken and I will explore ways to implement this suggestion or some equally stringent plan.

The eighth recommendation calls for a reemphasis to field personnel of Customs role with regard to letter-class mail, and a reordering of shifts for mail "inspectors." Customs mail specialists are charged with the responsibility to seize pornographic material at the border; however, a Customs officer may not open a piece of letter-class mail without a Postal employee present. This is to ensure that we adhere to the standards recognized by the Ramsey case. Secondly, at the JFK and Newark mail branches I am adding more mail specialists whose responsibility

will be to sort out pornography materials. They will supplement the other mail specialists who will be reminded of my personal concerns for this effort. There will be no gap in our inspection effort in this regard.

One thing is certain. The flame of enforcement had been nearly extinguished. Apart from your recommendations, what then should be done to rekindle the flame?

To start, I will strongly support the formation of a working group between the Postal Service, the Justice Department and the Customs Service to reopen the dialogue which seems to have waned on this issue. No one of us alone can be effective -- there must be an open and unified commitment.

Secondly, I will seek to institute a series of mail blitzes, targeting pornography source countries, fully coordinated with the Justice Department and the Postal Service. This would send a clear message to pornography distributors and help to redevelop an intelligence data base on habitual violators of our obscenity laws.

Third, where Customs has a role in the U.S. Attorney Law Enforcement Coordinating Committees, I will support including pornography enforcement as a high priority. This will help to emphasize to law enforcement in general, especially at the local level, that the federal government is serious about enforcing these laws, and it will help to provide closer coordination with local police department juvenile units. Besides providing stronger enforcement of our obscenity laws, the information gained by local police will help to better identify possible sex offenders and child molesters as well.

Lastly, I would support the development of a unified enforcement strategy with the objective to identify and investigate the top pornography importers in the United States.

Ladies and Gentlemen, hard core pornography, especially that which involves the exploitation of children, is vile.

I cannot promise you that our efforts will be as successful or as extensive as you or I would ideally like for them to be. But I can promise you that as we go about our task for rebuilding the Customs Service, I think we can achieve results significantly more positive than those we have seen in the past.

Most importantly I would like to leave you with this thought. Regardless of the enormous difficulties and problems we face in our efforts against pornography, there is one thing we must never do. We must never, no matter how tough or arduous the fight, simply fold up our tents and concede defeat on this issue. For in doing so, we would be plunging ourselves into a moral abyss from which there would be no return.

The Customs Service is happy once again to step into the front lines in enforcing our nation's obscenity laws. I look forward to standing before you a year from now and say that I am proud of our efforts to right another wrong of the past Administration.

Mr. VON RAAB. We do feel additional legislation would be helpful, whereby recipients of pornography would be prosecuted for both commercial and noncommercial quantities. Certainly, if that is made clear, it would be helpful to the prosecutors to effectively prosecute those cases. We will be working and are working with the Postal Service to change some of their regulations, to make it easier for Customs to examine certain types of mail and particularly the reexamination of mail we have made through a controlled delivery.

Last, just constant encouragement of the Federal enforcement agencies to work together and to work aggressively in this area.

As you pointed out, a lot of laws are on the books and it is up to the Federal law enforcement establishment to make sure that they are supported.

Senator DENTON. Most of those laws are on the books for a good reason.

We had a longstanding effort to revise the Criminal Code. Those laws have been upheld by Supreme Court rulings since the late 18th century. One problem is that the so-called sexual revolution, to the extent that it has gained attraction in our society, has aspects which are considered laughable, some of the statutes are considered victimless crimes by some who do not know any better and that mood has to be dispelled before this body and the House will pursue corrective action, which you who are involved in narcotics and pornography see to be the core issues, the reality. Until they understand it, I am afraid we will not have a great deal of activity here. It is not a lot of fun trying to raise that awareness when you are only one of two or three persons, but we are embarked, and I am most delighted that this powerful committee is now in concert with another on these issues and I believe we are going to have two or three more committees involved before too long.

Mr. VON RAAB. I would also mention that the constant distinction that is drawn between so-called child pornography and adult pornography, although maybe legitimate for definitional purposes, does cause problems because it somehow makes people believe that one is worse than the other. I have always said the only difference between child pornography and adult pornography is there are two crimes involved in child pornography. That is, the actual crime against the child in making it but then there is the subsequent crime of the creation of pornography. But as long as somehow child pornography is held out as being worse, in the sense of the actual material, you will constantly have a different standard with respect to the prosecution. I am not an expert in pornography but, you know, films or printed materials that are pornographic, are pornographic or not.

Then the second question is was the manufacture of them an additional crime. And with respect to the manufacture or the production of child pornography, it is obviously a much worse situation. But the ultimate product is still pornography and that distinction is—often takes the law enforcement's eye off the ball with respect to pornography.

OUTLAW MOTORCYCLE GANGS

Senator DENTON. Mr. Von Raab, in testimony received by this committee in March of this year, a witness revealed that outlaw motorcycle gangs are exporting and importing contraband that includes drugs, weapons, and stolen property. What role do you foresee the Customs Service taking in enforcement efforts against this type of emerging organized criminal group?

Mr. VON RAAB. The major role the Customs Service is playing with respect to that type of activity is its role within the Presidential task forces in which it will have a large responsibility for the investigation of the financial activities related to these crimes. That is the major role that it will have with respect to motorcycle crimes.

I would also point out that the importation or exportation of the arms or other weapons that you typically find with one of these motorcycle gangs is also a primary responsibility of the Customs Service. If they have acquired them from abroad or if for some reason they would be exporting them to their members in some other country.

JAPANESE CRIME GROUP CALLED YAKUZA

Senator DENTON. It has come to the committee's attention that the Customs Service has been investigating Japanese organized crime groups known as the Yakuza. Is that correct?

Mr. LOGAN. That is correct, Mr. Chairman.

Senator DENTON. How does the Yakuza compare to other organized crime groups, such as the La Cosa Nostra or outlaw motorcycle groups, and are their methods as violent?

Mr. LOGAN. Let me see if I can answer that in this manner. The Japanese organized crime group that we refer to as Yakuza controls most of the organized crime activity in Japan. The estimates have placed the number of Japanese nationals involved at about 110,000 in Japan itself and it is estimated, again by the Japanese, that 60 percent of the illicit groups are trafficking in methaquaalone and amphetamines and the Yakuza totally controls these in Japan. There are a few cases of heroin smuggling linked to them but no real connection has been established.

The Customs Service currently operates a small unit in Honolulu. It is a very small office, consists of two men. We call it the Yakuza Documentation Center. This Center is the only one of its kind. The two men read, write, and speak Japanese. What they do—one of the primary entry points for these particular figures, they develop the intelligence concerning these organizations and they provide that to other Federal law enforcement, local, and State enforcement authorities.

I will put a chart up in just a moment. The families are called gumi's, in Japan there are 7 major gumi's, 20 to 30 subgroups from that. They are mostly into smuggling, extortion, prostitution, gun smuggling, and most recently drugs. The Yakuza itself—

Senator DENTON. Is prostitution a crime in Japan?

Mr. LOGAN. There is a type of prostitution in Japan that is a crime, not prostitution itself but what the proceeds of that are used

for. I would hate to try to explain it right now. It is the way they have explained it to us.

The current threat that I think we can see from the Yakuza itself is that we associate it with the financial investments in the United States. The illicit profits they are generating in Japan have entered into, of course, Hawaii, San Francisco, and the Los Angeles areas. They may afford them the opportunity to enter into legitimate businesses in these areas.

I have some pictures with me of Yakuza members. These were photographed in Honolulu by the Yakuza Documentation Center members. Eighty percent of them tattoo their bodies in this manner here.

If you will notice on the lefthand side, the little finger has been severed. In the Yakuza tradition this proves loyalty to their boss, by ceremonially cutting off a finger with a sword and offering that finger to his boss—a soldier who fails in the mission or brings embarrassment to himself by getting arrested will also cut off a finger and present that to his boss, the oyabun, should the oyabun not accept the severed finger, the soldier will lose face and often commits suicide.

I would like you to notice the detail of the tattoos itself. They are very painfully done. They are done in the old manner, using bamboo needles and this process takes about 3 months minimum.

The types of intelligence in Hawaii generated by the Yakuza Documentation Center profiles the members, their identification, et cetera. This intelligence is provided to Federal, State, and local agencies in these areas.

The Yakuza, as far as we know at the moment, have activities in Los Angeles, San Francisco area, and Honolulu.

As I stated earlier, their activities involve prostitution, gambling, extortion, gun smuggling, prostitution, white slavery, and again, the threat we see along these lines—

Senator DENTON. You mentioned the security impact on the United States. Would you elaborate on the Yakuza's nature of threat to us and roughly quantify the degree of seriousness?

Mr. LOGAN. I do not believe that the—let me see if I can put this in such a manner that I am clear on this.

I do not believe that the threat of the Yakuza is great at this time. They have gained toe holds in Hawaii, Los Angeles, and San Francisco. I think both the Federal, State, and local law enforcement agencies are aware of the Yakuza and keeping a careful eye on them. I would not myself consider it a major threat at this time.

Senator DENTON. Would you give a qualification of the kind of threat? Are you talking about the fact that they have arms or the fact that the activity tends to destabilize the United States and in that sense constitutes a threat?

Mr. LOGAN. No. What I am referring to is their activities at the moment are localized rather than stabilized. What I am referring to is they are just gaining a toehold and if close enough enforcement attention is paid to it, I think we might be able to halt the growth in that area.

Senator DENTON. Is there any relationship which you have discerned between the Yakuza and the LCN?

Mr. LOGAN. Yes, sir. Intelligence and other law enforcement information have documented contacts between LCN members and the Yakuza. I would prefer not to comment as to any of the identities or locales at this time.

Senator DENTON. What other steps which you may not have mentioned has the Customs Service taken in an effort to identify Yakuza members entering this country? How many officers have been assigned to the Center to deal with that and how many members of the Yakuza have been identified or apprehended?

Mr. LOGAN. The Yakuza Documentation Center consists—it is small. It is two Japanese-speaking, reading, and writing Customs officers. They have identified approximately 2,000 individuals that are members of the Yakuza through this Documentation Center. Again, as I said earlier, that is one of the primary entry points and they have good officers assigned there. They have a good hold on what the intelligence is. They provide quite a bit of intelligence in that area also.

Senator DENTON. Thank you.

Commissioner, the administration's budget request for fiscal year 1984 contained a recommended decrease of 2,000 positions, including 800 inspectors, and 300 import specialists. I understand that the House has passed authorization legislation for the Customs Service which would not only restore those positions, but which would add 650 new positions.

How would you assess these additional positions as to improving your ability to fight organized crime and drug trafficking?

Mr. VON RAAB. I understand, at least, that the House is also prepared to tell us how to employ these 650 individuals and they are going to tell us to put approximately 350 of them into inspectors jobs, 400—around 150 into import specialists and 50 into patrol officers. Is that is the case, they will not materially increase our ability to fight organized crime.

Senator DENTON. Suppose they did not specify what you do with them. Obviously, the more you have, the merrier. But would you think it important to stress the addition of new positions and, if so, in what categories?

Mr. Von Raab. Well, I feel that the Customs Service at present is hiring enforcement officers, largely agents and patrol officers, and I do not want to downplay the role inspectors play in enforcement because it is important, about as quickly as a management can responsibly acquire or recruit, hire and train and put on the street. We have been doing this within the constraints of our existing budget numbers. That is what we have today, the 1983 budget.

Therefore, I do not really see the need to add 650 positions to the Customs Service in order to increase our ability to fight crime. We are having 200 agents added in order to support the activities of the President's 12 drug task forces.

So in terms of these resources that would be specifically dedicated to investigations, certainly for the next year or so our big job is to make sure that we recruit the right people, that we train them properly, and that we make sure that they are deployed in such a way as to be most effective in fighting crime.

Senator DENTON. Well, I will turn to Ms. Bonni Tischler.

In case it has not been announced, Ms. Tischler is a senior special agent, Financial Investigations Division, U.S. Customs Service.

Ms. Tischler, how many narcotics traffickers were using the services of Viomar & Co.?

Ms. TISCHLER. Viomar Co., or the Gatenos—the family that was running this organization—is similar to a service organization like maybe C&P Telephone or maybe Xerox or IBM where the clientele changed over a number of years. I documented approximately four major narcotics organizations that we believed were involved in drug trafficking and were utilizing Viomar services.

But it varied from time to time depending on who their clientele was and the volume of money they were presenting to them. If the volume was great enough from one organization, why, then they cut down on the services to other organizations. It was a goods and services-type situation with them.

Senator DENTON. Is it easy to penetrate these types of drug money laundering operations and are traditional law enforcement methods such as the infiltration by undercover agents often used?

Ms. TISCHLER. In terms of the money laundering organizations themselves, we found they were intra- and inter-family organizations and that they would only trust family members that close to the cash. In this particular instance, when the Colombians were involved, it was very difficult to penetrate that type of family situation. So we could not use undercover agents. They could not get close enough to the cash to make a difference. We had to use other techniques.

In the *Walker* case, we did use undercover activities. It was in terms of the non-Colombians, non-Latin individuals involved, where there were no family relationships. Therefore, it was easy to insert an outside person.

Senator DENTON. I was not here earlier when you discussed Panama. My experience from the Drug Enforcement Administration, in terms of proportion, is now rather heavily on Cuban and Colombian. I have not studied the internal affairs of Colombia until I got into this hearing and heard your enlightening mention.

What about in Panama? Do they have a similar familial set up? Is it difficult to penetrate?

PANAMANIAN PROVIDE BANKING ZONE

Ms. TISCHLER. The Panamanians are providing a service to all money launderers because it is a so-called offshore banking zone or a tax haven. Because they have strong bank secrecy laws that protect individuals banking there, organizations, and because you can set up a shell corporation down there which will, of course, facilitate your activities in any other country.

So I believe in terms of money laundering industry, that they are providing a gathering point for U.S. dollars.

The U.S. Customs Service just seized \$5.6 million that was outbound to Panama, on its way into a bank down there because they were unable to get it into the banks in the United States.

More and more, Panama is assuming the role of a middle point, a brokerage in terms of this outbound cash.

Senator DENTON. I have already, from commonsense and experience, become aware that some of the questions involving the degree to which officials of these governments might be committed to drug operations is somewhat sensitive in that we are trying to improve, for example, the present Colombia, regime's attitude. Do you have any feeling that as we have found in Cuba, where the official Cuban Government at the very top is not only aware of and tolerant of such operations, but in many cases directing them. Does this tendency obtain in Colombia? And if that is the case, what is the trend there? Is it more toward or away from official involvement of the Colombian Government? Are they more likely or less likely now to cooperate with us in stopping the exportation of narcotics?

Ms. TISCHLER. As you know, the Colombians, in terms of the Government have participated in a mutual assistance treaty with the United States. So we hope that they will be more cooperative in terms of extradition.

So far they have cooperated with us during terms of the financial investigations in Miami. We have been able to get banking information out of Colombia pertaining to our investigations and they have been very helpful along those lines.

So I can only speak financially. We have heard intelligence that this official or that official, unnamed, that they were accepting money. But nothing to the effect that the Government itself was involved.

Mr. VON RAAB. I agree with that. I think basically the governments of these countries in South America are trying to help us. In many cases, for example, in some of the countries in which coke is grown, you must realize that some of that coke is grown legally and, therefore, it is not that they are supporting a cocaine-growing operation that is always all illegal but part of it is illegal so they have a problem there of distinguishing between the legal and the illegal aspects of it.

But as Special Agent Tischler has said, there certainly are lower level officials that are involved and, unfortunately, occasionally it turns out that a higher level official is involved or, more likely, a close relative of the high official is involved who, either wittingly or unwittingly, is using the association with some government official. But I think their heart is in the right place. Governments there just do not control the country as we do here.

Senator DENTON. I do note that in previous testimony before the Judiciary Committee on May 20, 1983, Mr. Walker—rather, Mr. Logan asked the question: Well, that is getting to be a favorite, but it is simply because of the islands seem so complicated and they did have problems there for a while. Not just us, others too. Panama might be very * * * be more problem in the future.

And the answer from Walker. "Well, uh. One thing about Panama is that you can get * * * you can get to the general and he will cut a deal. I mean, if you have a reason for that type of thing and it is just, we, as I said, we got this, we"—

And then Mr. Logan said: "You talking about this, what is his name?"

And Tischler said: "Trujillo."

So that is a pretty high involvement, I would imagine.

Is that the brother of the honcho or some relationship?

Mr. LOGAN. That was Mr. Walker making those statements. On that particular occasion the identity was supplied by Agent Tischler.

There were previous occasions when that identity was supplied by *Walker*. We never obtained any corroboration of that.

Senator DENTON. I recognize again, from my own experience, that, bless their general hearts, sometimes their anti-Castro Cuban informants in Miami will testify in ways that they think you want to hear and maybe also in a way that might tend to incriminate those who have access to Castro.

Nevertheless, I wanted to note that piece of testimony.

Ms. Tischler, how do these organizations account to IRS for the large amounts of cash they possess?

Ms. TISCHLER. Most of the organizations we encountered in Miami really did not care if they talked to IRS or not. They did not maintain citizenship in the United States. They were barely permanent aliens. They do not pay taxes and they just did not care. Very often in our investigations we would send an IRS agent along with a U.S. Customs Service agent because we found a "rock and a hard place" philosophy. Very useful. For instance, if we talked to an individual and asked him—after introducing ourselves—"How do you account for the million dollars you just deposited in a bank," he would be caught in a bind. If he told IRS that it was domestic cash of some type, they might be willing to close out their tax year and tax the total. Many times, because they considered it to be less serious, they said they brought it into the United States. Then we would ask, "How come you didn't report it?" and they would be at a total loss.

So, if they did not tell Customs the right thing or they did not tell IRS the right thing, one of the two other agencies would have them through the use of title 31. Basically, because they did not pay taxes here, they never worried about IRS.

Senator DENTON. What methods do the money laundering organizations use to transport U.S. currency to South America?

Ms. TISCHLER. Well, just like 2 weeks ago, they could fly it out a Learjet, or as in some organization, smuggle large amounts of cash in Monopoly boxes or boxes of Pampers—sometimes it was no more clever than transporting cash in a padded envelope of some type. We did find toward the end of last year that an industrial vacuum cleaner was stuffed with \$600,000 in cash.

But barring that, they will try to get some of the cash into a bank in a U.S. city, for instance, Miami, and then they will arrange for either a personal check or a cashier's check to be drawn on that particular account or remove that amount of money in large bills and transport it out. Well, unless the check is a bearer instrument, it does not fit under title 31, Cashier's checks, for instance even though they are drawn in a phony name and can be cashed, are not reportable. They have on occasion wired money from a phony company to a phony company in Panama or Grand Caymen but more and more we are seeing them physically carry the cash. Because everywhere the task forces have been instituted they are starting to shut down the banks to narcotics cash and to the launderers. If the launderers cannot get the cash—the bulk of cash they are getting off the street—into a bank, then they must

physically transport it out. The more times they do it and the larger the amounts, makes it easier and easier for the U.S. Customs Service to interdict the transportations. They never report outbound cash.

Senator DENTON. What do you mean by shutting the banks down to narcotics?

Ms. TISCHLER. Basically bank compliance, and the resulting form filing identify narcotics groups. Also the bank's ability to handle large amounts of cash becomes a liability. If couriers start bringing in a million dollars a day, that is in \$20 bills, 100 pounds of cash, the banks have to sort the cash for counterfeit and count it. When I say shut down the banks, I mean the banks are less inclined to take this amount of cash in. As the banks become less inclined to handle that great volume of cash, why, then it puts the onus on the narcotics trafficker or launderer to transport the money.

Senator DENTON. What are the locations of the principal banks used by drug traffickers and money launderers to exchange their funds?

Mr. LOGAN. The principal locations, I believe, in the United States, are pretty well known. Very frankly, they are what we refer to as financial service centers: New York, Miami, Houston, Los Angeles, San Francisco. We have noticed over the past about a 8-month period of time, we have noticed a shift in some of these moneys into Philadelphia and Denver areas. But the primary service centers are, again, major financial centers.

Senator DENTON. Ms. Tischler, can you explain the difference—let me back up a minute.

What are some of the offshore banks they might be resorting to as the trend explained by Ms. Tischler affects their success in dealing with the onshore banks?

Mr. LOGAN. Most of these I think have been previously identified as financial havens or tax haven countries. Depending on the volume of currency that is generated by an activity, there is really two types of secrecy required. There is a financial secrecy as well as a commercial secrecy. Most of the organizations that are the size to generate the amounts of money we are talking about need not only a financial institution that has secrecy around that activity but it also needs commercial secrecy. It needs the covers and fronts of the various corporate entity names as well as the ability to transfer funds through each of those, whether it is blind trust or otherwise, to transfer to each of those. They have to maintain the liquidity of their funds the same as any other enterprise. The islands are very familiar with this.

To give you an example, we refer to the islands but I think in Panama in 1981, I believe, we received—by we, I mean the Federal Reserve—received about \$500 million of them in U.S. currency from their central bank. In 1982 that figure doubled and they received a billion from Panama. Now whether that is moneys that were transported directly to Panama from the United States and not returning, I do not know. That would also be moneys transported to other locations and shipped into Panama before being returned to the States.

Senator DENTON. Mr. Tischler, can you explain the difference between the way traditional organized crime uses legitimate business-

es to launder illicit money and the way the people in the *Viomar* case used the Pavilion Car Rental Agency to launder their money?

Ms. TISCHLER. I think it is really a difference in philosophy. Traditional organized crime in the United States, they are people that live here, work here, legitimately or illegitimately. They spent 90 percent of their time here. Therefore, in order to use the cash that is received from an illicit source, they have to make it appear legitimate. Therefore, they will do a number of things. The most common thing is to buy a business, a restaurant, or something like that, that will normally generate cash so that when the cash goes into the bank from an illicit source, it would appear that the legal business is generating the cashflow. Sometimes in the past they have gotten it offshore and been able to bring it back in a loan back that will look legal.

In the case of the Colombians that were laundering money in Miami, they do not care to make the money look legitimate. They were more concerned with disguising the source or origin of the cash which meant that they were not trying to make the money they were receiving from the various sources look legitimate as in the *Viomar* case. They were using Pavilion auto rental to facilitate the enterprise as a collection point and as a distribution point because the car rental agency itself, doing normal business, would attract a large number of people walking in and out. Therefore, it would not attract attention if somebody walked in with a suitcase full of cash. It would look like a normal customer with a suitcase full of clothes. That is the difference.

Senator DENTON. There was an article in this morning's Washington Post, a news article, I believe, to the effect that there is a noticeable effort, I do not know why this was particularly newsworthy or contemporarily interesting, but perhaps you do, for this money to be laundered in the movie business out in Los Angeles.

Do you have any comment to make about that?

Mr. VON RAAB. I did not fully understand. I have not read the Post this morning.

Senator DENTON. I meant to cut it out and could not find the page on which I originally read it. I thought it was the first page but it was not. I reread it.

Do you have it there?

Mr. LOGAN. I do not know if it is particularly newsworthy or not.

Senator DENTON. We can advertise the publication anyway.

Mr. LOGAN. I do not have at least a detailed comment to make. There has been information that the movie industry has been used in these areas in the past and primarily—I do not believe it is, at least the information I have had on it, that it is concerned with the types of money that we are talking about here. The movie industry itself does generate money and, frankly, I think just as Ms. Tischler explained, anything that generates money can be used, whether it is buying a restaurant or buying a studio, either way it gives some identity or legitimacy to that source.

Senator DENTON. By that criterion alone, the Los Angeles area would appear to be attractive.

What difficulties, if any, did you encounter as a woman working in an undercover role?

Ms. TISCHLER. I know you are referring to the *Walker* case that Mr. Logan was describing before. The interesting thing about that case was that most of the time females in law enforcement have been used in supportive roles as a girl friend, as a backup in some way, perhaps to make a dope buy but usually in the company of a male. Mr. Logan and the case agent in that particular case, one night, were talking about methods of getting around Mr. Walker. The intelligence had been, at that time, that he liked women so they decided they would have me going in as the so-called vice president of a narcotics organization in charge of moving money around. Actually, I did not have any difficulties on that particular case or any other case where I have been the principal undercover role player. It has only been in a supportive role where I have had problems. Walker just took me as another executive.

I have found if where I am treated in a supportive role by my male partner, then the crooks treat me the same way. So it depends on how you approach them. I just acted like a princess.

Senator DENTON. You talk like an extremely good agent. Was this the first time that the Customs Service used a female in a principal role as an undercover agent?

Ms. TISCHLER. As far as we know, yes. Although I have done the same thing on several occasions. It is sort of an interesting role to play because it is what we refer to as a high roller. I get to wear good jewelry and expensive clothes and it is fun.

Senator DENTON. You would not mind doing it again?

Ms. TISCHLER. No.

Senator DENTON. We have a number of additional questions but in view of the time of day, we will ask that you respond to them when you receive them in writing from us which will be within the normal 10-day period or as soon as you can.

As a Senator and a member of this committee, I feel honored to chair this portion of the hearing today. I want to stress my admiration and respect for the three witnesses this morning and my sense of optimism developing from Commissioner Von Raab's determination to pursue both child pornography along with adult pornography and the narcotics issues.

I have had some personal conversations with him in which he has revealed what I consider to be a receptive and courageous attitude in this respect which is not all that common around here and I want to thank all three of you for extremely valuable testimony today.

I look forward to further work with you, especially as we try to improve the coordination between the respective agencies involved in this, without which improvements of we will not proceed at the rate we must.

Thank you very much.

This hearing is adjourned.

[Whereupon, at 11:22 a.m., the committee recessed to reconvene subject to the call of the Chair.]

[Prepared statement of Commissioner William von Raab along with material submitted for the record follow:]

PREPARED STATEMENT OF COMMISSIONER OF CUSTOMS, WILLIAM VON RAAB

Mr. Chairman and distinguished members of this committee, it is indeed a pleasure to appear before you today to discuss the subject of organized crime. The United States Customs Service works closely with other Federal, state and local law enforcement agencies in our attempts to effectively thwart and destroy these illegal profiteering enterprises commonly known as "organized crime."

Following our presentation today, I am sure you will be convinced of a number of things. First, that organized crime is no longer limited to the traditional black hand of the mafia, but rather that it is now more akin to that vile mythological being Medussa with her head of serpents. It is a collection of individual covens bound separately by ethnic background or simply by mutual agreement, but bound as one by greed.

Second, that organized criminal groups have no regard for national boundaries and attempt to use our own constitutional constraints in that regard against us. They attempt to travel at will, flouting the laws which our nation needs to control its borders.

Third, that all organized criminal groups while diverse in their methods and products have but one common denominator—lust for money. The old primary root of all evil. The ultimate fruits of their labors. And while money is their ultimate goal, it is at the same time their achilles heel.

And fourth, that by attacking the cash flow of these organized criminal groups, we can and will make great strides towards disrupting and ultimately undoing their entire organizations.

Organized criminal groups today are better organized and more sophisticated than any criminal family of the past. They deal in weapons, pornography, drugs, and other materials which undermine our society.

Organized crime of the past has been romanticized in novels and in the newspapers and its myths have been somewhat brought to the forefront in terms of reality. But the days when law enforcement could deal with organized crime as so-called "families" are fast becoming history. Today's organized crime groups as you will see from this presentation are far more fractured and infinitely more diverse than ever before and they are far more violent. Columbians, Cubans, Jamaicans, Indians, Iranians and Japanese: these are all new nationalities which are known to contain tightly knit groups of organized criminals.

The traditional mafia families are still operating, of course, but they no longer enjoy a monopoly on crime, and we in law enforcement face an increasingly difficult task.

While the Customs Service, since its inception, has had as its primary mission the collection of revenue from imports and the prevention of smuggling, it has in recent years—particularly, by expressed mandate of the Reagan administration—increased its law enforcement responsibilities whereby one of the highest priorities or our Service is the positive and unstinting commitment of available resources to effectively combat organized crime.

Recently the Customs Service embarked on two new energetic initiatives which have proven to be overwhelming successes. The first program, Operation Exodus, was developed to prevent the Soviet Union from stealing this country's valuable technology. Intelligence sources have told us that this program is having a tremendous disruptive effect on the Soviet Union's illegal efforts. The second program, the Customs Fraud Investigations Center, was erected to better focus our efforts against Customs fraud. Its worth has already been proved through several major cases currently under investigation.

To accomplish the critical and demanding enforcement objectives of this Administration, the Customs Service utilizes 4,500 Inspectors operating at 300 ports of nationwide entry, 1,300 Patrol Officers operating primarily between ports of entry from air, land and nationwide marine stations, and over 700 Special Agents operating from 57 domestic offices and eight foreign offices. In addition, we have Customs representatives stationed both at Interpol Headquarters in France and at the Washington, D.C. office.

By way of providing some historical background regarding Customs Service involvement in combating organized crime, in 1966 the Federal Government established the Federal Organized Crime Strike Force Program. The strike force concept, under the U.S. Department of Justice, brought together in one office in each of the selected target cities, criminal investigators from all the major Federal agencies charged with enforcing the sections of the United States criminal code. These offices also had investigators from State and local agencies assisting in investigations.

Since the inception of this Federal Strike Force Program, Customs Special Agents as well as enforcement support personnel have been assigned to each of the designated strike force offices.

Law Enforcement functions performed in the past and at present by Customs Special Agents with support from other Customs elements have made uniformly significant and praiseworthy contributions to the Strike Force Program. These efforts include investigations involving cargo theft; currency reporting violations (both narcotics and non-narcotics); illegal exports of arms, munitions, from the United States; and smuggling of pornographic materials. Other types of investigations conducted by Customs Special Agents which have identified organized crime involvement include navigation violations and precicensing investigations for Customs bonded carriers and customhouse brokers.

During the last several years, we have conducted a number of highly significant organized crime investigations in conjunction with several Strike Force offices. In 1977, through the Miami Strike Force, Customs Special Agents obtained the conviction of several identifiable organized crime personalities in an arms export investigation which accounted for the seizure of 500 fully automatic weapons that were to be illegally exported. This investigation also led to the detection and prosecution of a major bank fraud scheme in New Jersey.

A recently completed Customs Strike Force investigation in Detroit involved the "laundering" of one half million dollars by an accounting firm with ties to a well known Detroit Organized Crime family. The type of individuals and businesses involved ranged from a one-man import-export business suspected of narcotics trafficking up to executives of a large international mechanical-electrical contracting company. The money "laundering" in Canada later was used for purposes ranging from personal enrichment, labor extortion and commercial bribery. As a result of this investigation by Customs, 13 individuals and 3 companies were found guilty of a variety of felony criminal charges with two accountants being found guilty of RICO. Both were sentenced to long prison terms. In addition to the prison sentences, over \$200,000 was assessed in court fines.

In October of 1982, President Reagan identified drug trafficking with its resultant profits for the unscrupulous criminal and the increasing threat of organized crime as the most serious crime problems facing the nation.

Specifically, the Administration has since emphasized the following points of pressing interest to enforcement officials and our concerned communities:

The proceeds from drug trafficking alone enables organized crime to carry out an array of serious crime, including bribery of public officials, infiltration of legitimate business firms, and money laundering and bank fraud which weaken key sectors of our economy.

Because of their profits from drug trafficking and other enterprises, organized criminal groups engaged in a variety of criminal activities have, almost with impunity, done the following:

Organized crime illegally imports and distributes drugs throughout the country which generates high illegal profits.

It uses these profits to buy into or buy up legitimate business firms.

It engages in all types of crimes including pornography, prostitution, gambling—and these are not crimes without victims.

Organized crime engages in murder-for-hire, arson-for-hire, assaults, robberies, loansharking, extortion, fraud and weapons trafficking.

In some areas of the country, organized crime is so powerful that it has attempted to neutralize law enforcement by paying bribes to criminal justice officials and elected officials. Those bribed officials become the captives of organized crime and won't carry out adequate programs to protect the public against any offenses.

As part of the President's concern for the elimination of drug trafficking and organized crime, he instituted under the direction of Vice President Bush the South Florida Task Force in which Customs plays a very significant part. The Task Force was created to bring all available Federal resources to bear against drug traffickers who have been using Florida as a virtual free port of entry. By any standard, this effort too was an unparalleled success.

The Task Force has reduced the flow of drugs into South Florida. It has galvanized community spirit in South Florida and has brought a new feeling of confidence and optimism about the Government's ability to deal with drugs and crime.

The 1982 local law enforcement statistics in South Florida (as reported by the Miami Herald) graphically illustrate this point:

In Dade County, 1982 robberies were down 15 percent below 1981. Drug-related homicides were down 50 percent and homicides involving automatic weapons were off 71 percent.

Drug-related arrests in all of South Florida were up 30 percent in 1982.

South Florida cocaine seizures were up 56 percent and marijuana interdictions up 30 percent. The street value of all drugs seized in South Florida in 1982 exceeded \$4 billion.

Because of the success of Federal law enforcement efforts in Florida, the Administration has implemented 12 new Drug Task Forces which will supplement the current Federal efforts directed against organized criminal groups dealing in drugs in the United States and abroad. The thrust of these new task forces will be directed against major drug traffickers throughout the United States, with particular emphasis on Organized Crime groups and their servile associates.

In addition to the aforementioned task forces, Customs is also committed to various joint Customs/IRS financial task forces set up locally and directed by a number of U.S. Attorney's offices across the country. These efforts are directed against various elements of organized crime, and other white collar criminals.

One excellent example of an ongoing Customs Service/Internal Revenue/Justice and Treasury Departments project which has provided Federal law enforcement with a capability to effectively and legally monitor criminal financial transactions is the Treasury Financial Law Enforcement Center which is located in the Customs Service.

The mission to TFLEC is to examine the financial characteristics of the criminal markets and assist in the development of a law enforcement strategy that will exploit the vulnerability of the criminal organization's financial business practices through application of criminal and civil sanctions.

Established in January 1982, TFLEC collects, collates, and analyzes the data obtained under the provisions of the Bank Secrecy Act which is combined with the talents of criminal investigators, intelligence research specialists, automated data processing personnel, and other computer specialists into a financial crimes intelligence center serving the entire Federal law enforcement community. Personnel assigned to the Center provide special financially-oriented reports and special integrated data base extracts as requested by TFLEC participating agencies. TFLEC personnel also develop financial violator profiles, trafficking patterns, concealment methods, illegal financial networks, and relationships and patterns between Bank Secrecy Act violations and narcotics, organized crime, fraud and smuggling activities.

TFLEC also produces intelligence products based on "special project" assignments with personnel selected for these projects based on their background, skill and experience. Thus far, these projects have resulted in the development of target lists for Operation Greenback in Florida, and overseas targets, design and implementation of the TFLEC Suspect Index in the Treasury Enforcement Communications System, and a statistical model for determining bank compliance. TFLEC personnel are also responsible for the monitoring of multiagency task forces whose efforts include use of targeting data produced by the Center, the maintenance of a central file of financial law enforcement information as it pertains to data collected pursuant to the Bank Secrecy Act, the oversight of the central file and information management systems automation, and the coordination with Federal, state, local and foreign government agencies, all relative to the dissemination of financial law enforcement information and intelligence.

By attacking the cash flow of criminal organizations, we believe that we can make tremendous headway against organized crime. But rather than talk any further about what we can do, I would like to turn the microphone over to Blue Logan, the Director of Financial Investigations for the Customs Service who will explain what we have done. Mr. Logan will outline some of the cases which he personally was involved with in order to better illustrate the effectiveness of currency investigations.

Following these presentations, I will be happy to answer any questions you may have.

<p style="text-align: center;"><i>Customs Use Only</i></p> <p>Control No. _____</p> <p style="font-size: small;">31 USC 1101; 31 CFR 103.23 and 103.25</p>	 <p>DEPARTMENT OF THE TREASURY UNITED STATES CUSTOMS SERVICE</p>	<p style="text-align: right; font-size: x-small;">OMB No. 48-10535</p> <p style="font-size: x-small;">This form is to be filed with the United States Customs Service</p> <p style="text-align: center;">REPORT OF INTERNATIONAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS</p> <p style="text-align: right; font-size: x-small;">Privacy Act Notification on reverse</p>
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PART I - FOR INDIVIDUAL DEPARTING FROM OR ENTERING THE UNITED STATES

Please Type or Print		1. NAME (Last or family, first and middle)	2. IDENTIFYING NO. (See instructions)	3. DATE OF BIRTH (Mo./Da./Yr.)
4. PERMANENT ADDRESS IN UNITED STATES OR ABROAD			5. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?	
6. ADDRESS WHILE IN THE UNITED STATES			7. PASSPORT NO. & COUNTRY	
8. U.S. VISA DATE	9. PLACE UNITED STATES VISA WAS ISSUED		10. IMMIGRATION ALIEN NO. (If any)	
11. CURRENCY OR MONETARY INSTRUMENT WAS: (Complete 11A or 11B)				
A. EXPORTED			B. IMPORTED	
Departed From: (City in U.S.)	Arrived At: (Foreign City/Country)	From: (Foreign City/Country)	At: (City in U.S.)	

PART II - FOR PERSON SHIPPING, MAILING OR RECEIVING CURRENCY OR MONETARY INSTRUMENTS

12. NAME (Last or family, first and middle)		13. IDENTIFYING NO. (See instructions)	14. DATE OF BIRTH (Mo./Da./Yr.)
15. PERMANENT ADDRESS IN UNITED STATES OR ABROAD			16. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?
17. ADDRESS WHILE IN THE UNITED STATES			18. PASSPORT NO. & COUNTRY
19. U.S. VISA DATE	20. PLACE UNITED STATES VISA WAS ISSUED		21. IMMIGRATION ALIEN NO. (If any)
22. CURRENCY OR MONETARY INSTRUMENTS DATE SHIPPED	23. CURRENCY OR MONETARY INSTRUMENTS <input type="checkbox"/> Shipped To <input type="checkbox"/> Received From	NAME AND ADDRESS	24. IF THE CURRENCY OR MONETARY INSTRUMENT WAS MAILED, SHIPPED, OR TRANSPORTED COMPLETE BLOCKS A AND B. A. Method of Shipment (Aero, U.S. Mail, Public Carrier, etc.) B. Name of Transporter/Carrier

PART III - CURRENCY AND MONETARY INSTRUMENT INFORMATION (SEE INSTRUCTIONS ON REVERSE) (To be completed by everyone)

25. TYPE AND AMOUNT OF CURRENCY/MONETARY INSTRUMENTS	Value in U.S. Dollars	26. IF OTHER THAN U.S. CURRENCY IS INVOLVED, PLEASE COMPLETE BLOCKS A AND B. (SEE SPECIAL INSTRUCTIONS)
Coins _____ <input type="checkbox"/> A. IN \$		
Currency _____ <input type="checkbox"/> B. D		
Other Instruments (Specify Type) _____ <input type="checkbox"/> C. E		
(Add lines A, B and C) _____	TOTAL AMOUNT \$	A. Currency Name
		B. Country

PART IV - GENERAL - TO BE COMPLETED BY ALL TRAVELERS, SHIPPERS AND RECIPIENTS

27. WERE YOU ACTING AS AN AGENT, ATTORNEY OR IN CAPACITY FOR ANYONE IN THIS CURRENCY OR MONETARY INSTRUMENT ACTIVITY? (If "Yes" complete A, B and C) <input type="checkbox"/> Yes <input type="checkbox"/> No		
PERSON IN WHOSE BEHALF YOU ARE ACTING	A. Name	B. Address
Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief it is true, correct and complete.		C. Business activity occupation or profession
28. NAME AND TITLE	29. SIGNATURE	30. DATE

Form **6700**
(Rev. December 1931)
Department of the Treasury
Internal Revenue Service

Currency Transaction Report

File a separate report for each transaction
(Complete all applicable parts—see instructions)

OMB No. 1545-0048
Form 12-31-62

Part I Identity of individual who conducted this transaction with the financial institution

Name (Last)	First	Middle Initial	Social Security Number
Number and Street			
City	State	ZIP code	Country (if not U.S.)
Method of verifying identification:			
<input type="checkbox"/> Driver's permit		<input type="checkbox"/> Alien ID card	
<input type="checkbox"/> Passport		<input type="checkbox"/> Other (specify)	

Part II Individual or organization for whom this transaction was completed (Complete only if different from Part I)

Name	Identifying number
Number and Street	
Business, occupation, or profession	
City	State
ZIP code	Country (if not U.S.)

Part III Customer's account number

<input type="checkbox"/> Savings account	<input type="checkbox"/> Share account	<input type="checkbox"/> Safety deposit box
<input type="checkbox"/> Checking account	<input type="checkbox"/> Loan account	<input type="checkbox"/> Other (specify)

Part IV Description of transaction. If more space is needed, attach a separate schedule and check this box

1. Nature of transaction (check the applicable boxes)		<input type="checkbox"/> Currency Exchange
<input type="checkbox"/> Deposit	<input type="checkbox"/> Check Cashed	<input type="checkbox"/> Mail/Night Deposit
<input type="checkbox"/> Withdrawal	<input type="checkbox"/> Check Purchased	<input type="checkbox"/> Other (specify)
2. Total amount of currency transaction (in U.S. dollars)	3. Amount in denominations of \$100 or higher	4. Date of transaction (month, day, and year)

5. If other than U.S. currency is involved, please furnish the following information:

Currency name	Country	Total amount of each foreign currency (in U.S. dollars)
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6. If a check was involved in this transaction, please furnish the following information (See instructions):

Date of check	Amount of check (in U.S. dollars)	Payee
Drawer of check		Draws bank and city

Part V Financial institution reporting the financial transaction

Name and Address	Identifying number (DIN or DIN)
Business activity	

Sign here \triangleright _____ (Authorized Signature) _____ (Title) _____ (Date)

Type or print name of authorized signer in _____
For Paperwork Reduction Act Notice, see the back of this page.

B. TEN DECADES OF O.C.R. EVOLUTION/DEVELOPMENTS

TEN DECADES OF OCR EVOLUTION/DEVELOPMENTS

- 1880-1900's Increased immigration into the United States. Irish, German, Polish, Jewish, Armenian, Sicilian, Italian and others organize into ethnic gangs.
- 1920 The 18th Amendment of the Constitution and the Volstead Enforcement Act. Prohibition created a black market for liquor with a potential of profit for those willing to take the risks involved in systematically violating the law. Ethnic gangs organized the illegal alcohol business.
- 1930-1931 Organized crime comes into being after the "CASTELLAMMARESE WAR". The Counsel of Six Bosses is formed to set broad policy, i.e., economic political and geographical, and to settle disputes between gangs or "families." This initial concept of a counsel is later expanded into the "National Commission" with a varying membership of between 9 and 12 members.
- 1941-1945 During the war years, law enforcement on every level of Government slowed. Organized crime found new or expanded profit markets in gambling, narcotics, illegal alcohol and black market items such as meat or gasoline.
- 1950 The Attorney General's Conference on Organized Crime is held. The Conference suggests a coordinated master plan of action be developed on the whole system of nationwide rackets, with the operation being coordinated by the Attorney General.
- 1951 Senate Special Committee to Investigate Organized Crime in Interstate Commerce (the Kefauver Committee) is held. The Committee concluded that a sinister criminal organization known as the MAFIA is operating throughout the country. The Committee recommends establishing a rackets squad in the Department of Justice; creation of a Federal Crime Commission to maintain liaison and serve as a clearinghouse for exchange of information; a continuation of the Kefauver Committee; and enactment of stronger Federal laws, especially gambling.
- 1957 Apalachin, New York, meeting of national organized crime figures.
- 1958 The McClellan Committee hearings reveal widespread infiltration by organized crime into unions and legitimate businesses.
- 1960's Large-scale immigration by Cubans into Florida.
- 1961-1964 The enactment of anti-racketeering statutes regarding organized crime violations.
- 1968 The term "strike force" is officially applied by the Attorney General, in creating organized crime units in Detroit, Brooklyn, Chicago and Philadelphia.
- 1969 Six additional Strike Forces are created in Boston, Newark, New York City (Manhattan), Miami, Cleveland and Los Angeles.
- 1970 Strike Forces are initiated in St. Louis and New Orleans.
- 1970-1980's High influx of Canadian and Colombian OCR figures into South Florida, New York and California.
- 1980 Cuban MARIÉL BOATLIFT brings hundreds of thousands of immigrants to United States.
- 1980 U.S. Customs Service/Internal Revenue Service Task Force OPERATION GREENBACK becomes operational in Miami.
- 1981 USCS/IRS Financial Task Forces EL DORADO become operational in New York and Los Angeles.
- 1983 Twelve Presidential Drug Enforcement Task Forces become operational.

C. OVERVIEW OF CUSTOMS INVOLVEMENT (TRADITIONAL)

CARGO SMUGGLING CONSPIRACIES

Highly sophisticated organized crime groups have recruited transportation industry employees for the purpose of smuggling contraband into the United States contained within foreign cargo shipments. These employees manipulate shipments and remove contraband prior to Customs examination. The groups have been documented in operation at most major airports and seaports throughout the United States.

The recruited employees have direct access to the cargo at the first port of unloading (airline cargo handlers, shipping company clerks or dock workers), or before the point of Customs clearance (bonded truck drivers, customhouse brokers, or freight forwarders). This smuggling method has apparently been designed around the Customs philosophy of moving cargo rapidly to accommodate the import industry.

These groups literally control cargo terminals with their ability to smuggle on a national scale and sell the service to interested parties. They have been known to charge a high price for this "foolproof system" and they are not opposed to paying the recruited employees as much as 10 times their annual salary for a mere few minutes work. They have also offered these employees the services of attorneys, means of securing illegally acquired money in foreign bank accounts, accountants to assist in laundering money, and have allowed them to reinvest in other smuggling ventures.

Customs has traditionally investigated cargo smuggling by these OCR groups using conventional means, i.e., use of confidential informants, surveillance and inspection cargo. The difficulties are that (1) recruited employees serve as built-in lookouts, making surveillance of terminals, etc., extremely difficult and (2) OCRs' philosophy to walk away from a shipment if something is out of the ordinary.

D. NEW APPROACHES TO OCR BY CUSTOMS

The U.S. Customs Service, Office of Investigations, has developed an aggressive investigative strategy, dedicated to the disruption and dismemberment of criminal organizations, which attacks the financial base, the cash flow and derivative assets of those organizations. This strategy has expanded through the combined efforts of multiagency financial task forces resulting in significant seizures of currency, felony conspiracy and substantive convictions, asset forfeitures, U.S. Treasury Department civil penalties, removal of assets, bail forfeitures and jeopardy tax assessments.

Combatting the multibillion dollar narcotics traffic on a large-scale financial basis requires the formation and implementation of a specialized support network utilizing both human and computerized resources to provide systematic, creative and consistently sophisticated analysis of potential targets. The newly created Treasury Financial Law Enforcement Center (TFLEC), located at U.S. Customs Service Headquarters in Washington, D.C., blends the diversified abilities of criminal investigators, intelligence research spe-

cialists and automated data processing specialists with a computerized data base to produce a financial crimes intelligence center proficient in the collection, correlation and analysis of financial data resulting from compliance with the Bank Secrecy Act. This data base, consisting of approximately 2 million records, is constantly expanding and represents the largest financial data base ever accessible to law enforcement agencies.

1. Treasury Financial Law Enforcement Center (TFLEC)

The Treasury Financial Law Enforcement Center (TFLEC) is the centralized national clearinghouse and repository for criminal cash intelligence and expertise. It has a Departmentally mandated responsibility to receive all information collected pursuant to the Bank Secrecy Act; to analyze it, and make appropriate dissemination of its findings to the Federal law enforcement community.

Its objective is to examine the financial characteristics of the criminal markets and assist in the development of law enforcement strategies that will exploit the vulnerabilities of criminal organizations' business practices through application of criminal and civil sanctions.

History

TFLEC was established within the U.S. Customs Service in January 1982. TFLEC was originally named the Treasury Reports Analysis Unit (RAU) and was administered by the Main Treasury Department's Assistant Secretary for Enforcement and Operations. On March 31, 1979, the RAU was transferred from Main Treasury to the U.S. Customs Service when it was decided that operational functions should be managed at the agency level. The organization's name was changed from the RAU to the Reports Analysis Branch (RAB) subsequent to its transfer to Customs. It is presently staffed by Customs intelligence analysts and special agents.

2. Financial Task Forces

Customs has organized, and has in operation, four financial task forces under the code names OPERATION GREENBACK and EL DORADO.

a. GREENBACK (Miami, Florida)

In January 1980, a multiagency task force was initiated in Miami, Florida. This task force, OPERATION GREENBACK, is composed of special agents from the U.S. Customs Service and the Internal Revenue Service, and is supported by prosecutors from the U.S. Attorney's office. The task force was established in response to the tidal wave of drugs entering the United States through South Florida, and the unusually high amounts of currency being handled in Florida financial institutions. The objectives of OPERATION GREENBACK were to: (1) identify the unusually high flows of currency; (2) frustrate organized crimes' use of legitimate financial channels to launder money; (3) destroy the financial base and infrastructure of criminal enterprises; and (4) return the area to normal economic stability.

Accomplishments (Through May 10, 1983):

- o 147 indictments representing 38 criminal organizations
- o 103 arrests (36 convictions to date)
- o \$34.1 million currency seized
- o \$3 million property seized

- o \$33 million - Title 31 civil penalties assessed (\$59 million - pending issuance)
- o \$1.6 million in bond forfeitures
- o \$112.5 million in jeopardy tax assessments
- o 106 pounds of cocaine seized
- o 12 tons of marijuana seized
- o Cash flow (surplus) indicators in Florida are leveling off suggesting success in our efforts. Possible shift to Philadelphia and Los Angeles/San Francisco

b. EL DORADO Task Forces (New York, Los Angeles and Houston)

On May 1, 1982, EL DORADO financial task forces, which are modeled after the GREENBACK Task Force, became operational in New York, Houston and Los Angeles. EL DORADO is a coordinated financial investigative effort targeting the cash flow of major narcotic trafficking and other organized criminal activity.

Accomplishments (First Year of Operation):

- o 44 arrests
- o 56 indictments
- o 87 pounds of cocaine seized
- o 18 convictions
- o \$4,026,311 in currency and/or bank accounts seized

c. Presidential Drug Enforcement Task Forces

The Presidential Drug Enforcement Task Forces (DETTF) have just recently (April 1983) become operational.

The role of U.S. Customs Service in the DETTF is to target, investigate and prosecute individuals who organize, direct, finance or are otherwise engaged in major multinational drug trafficking enterprises. In so doing, Customs will make full use of financial investigative techniques, enforcement procedures and forfeiture actions in order to identify and convict high-level traffickers, and enable the Government to seize assets and profits derived from such drug trafficking activity. Utilization of a multiagency investigative approach should promote full and effective cooperation between state, local, Federal and foreign law enforcement agencies.

The Treasury Financial Law Enforcement Center (TFLEC) at Customs Headquarters will be expanded and has been reorganized into teams which will provide financial intelligence, analytical support, and investigative targets, to the task forces.

The total number of Customs criminal investigators and support personnel allocated nationwide will total 200 positions; 134 positions have been approved to date.

The locations for Customs personnel will be as follows:

Los Angeles	Boston
San Diego	Philadelphia
San Francisco	New Haven
Honolulu	New York
Las Vegas	Newark
Houston	Chicago
Phoenix	Detroit
New Orleans	Denver
Atlanta	St. Louis
Charleston	Kansas City
Baltimore	Cleveland
	Indianapolis

3. Definition and Examples of Money Laundering

Since the narcotics trafficker finds a ready market for his cocaine, marijuana or quaaludes in the United States, he must be prepared to cope with the enormous amounts of U.S. currency generated by these sales. The trafficker must be able to manipulate this currency and/or convert it to a more manageable form while disguising or concealing its illicit source and origin. This process is described as "laundering." Traditionally, U.S. law enforcement has viewed laundering as the "washing" of illicit funds by having the cash appear to be legitimately produced profits from a "clean" business. Because of the quantities of U.S. dollars that the narcotics trafficker must handle routinely, the concern attached to physical security and the speed with which these funds must be "moved," the narcotics trafficker must resort to nontraditional laundering methods.

Often narcotics traffickers (foreign nationals as well as U.S. citizens) transport their monies or profits in bulk out of the United States to avoid paying taxes, thereby avoiding the necessity to "legitimize" their funds. At the same time, they have no desire for there to be a record of their movement of funds, and as a result, they do not comply with the reporting requirements. In addition, currency transported out of the United States to purchase narcotics is often returned to the United States for investment and other purposes.

A large amount of currency to be laundered may also be traded for a more easily managed or disguised negotiable instrument, i.e., personal check, cashier's check, loans, larger bill denominations or another country's currency. The alternative to this is the physical transportation of large amounts of currency into and out of the United States.

ROBERT S. WALKER INVESTIGATION (MAY 1980 TO JULY 1981)

After being released from Federal custody on drug and mail fraud convictions, Robert S. Walker, in 1976, borrowed \$10,000. According to his own statements, this was his only capital. By 1981, Robert S. Walker, through an offshore trust and Florida corporations, owned or controlled the following assets:

- A small public airfield with cement strip and several hangars;
- A fleet of vehicles;
- A fleet of at least six aircraft;
- A \$100,000 home;
- An island in the Bahamas;
- An offshore bank;
- A citrus grove with grass landing strip; and
- A yacht.

This was accomplished through the use of a series of interlocking corporations and legal entities financed through illegal activities, primarily drug smuggling and the list of controlled substances the importation and distribution of controlled substances and the smuggling of currency.

In addition to the foregoing assets, Walker also owned or controlled the following businesses:

Turks and Caicos Fidelity Trust was a foreign legal entity chartered in the Turks and Caicos Islands on May 7, 1979, to do banking business. The purpose of this business was to facilitate the movement of money into and out of the United States illegally, and to further the violation of other Federal laws. Robert S. Walker was the true owner of these enterprises with Rudolph Key, a foreign national, acting as President of this enterprise on behalf of Walker.

TNCA Trust was a foreign entity created by Robert S. Walker to be the paper owner of the other enterprises. Walker was the true beneficiary of this trust. The primary purpose of these foreign enterprises was to hide the true ownership of the other entities from public view and to protect them from forfeiture. It was one of the intentions of the conspirators to use foreign bank secrecy laws to shield themselves and their activities from detection and prosecution.

The TNCA Trust and the Turks and Caicos Fidelity Trust Limited entities were the registered owners of a citrus grove located in Orange County, Florida. The grove contained a grass aircraft landing strip used by Robert S. Walker and others to further or facilitate illegal activities.

These enterprises bought and leased aircraft from outside the State of Florida. These aircraft were used in interstate and foreign commerce as well as the narcotic smuggling ventures.

The pattern of racketeering and the enterprises were interrelated. The racketeering acts financed and were *raison d'être* for the enterprises. The enterprises were a cover for, and provided the physical resources used in, the racketeering activity. The relationship was symbiotic in nature.

The criminal enterprise involved was more than a simple drug conspiracy. Its growth mirrored the growth in sophistication of the Florida-based drug connection. Legitimate business interests have been utilized to provide a "front" for, and the resources to conduct, the illegal activities. Artificial increments to Florida's economy have been created by these activities.

Conduct of the enterprise and conspiracy activities require a division of labor and responsibility. On the legal side, Walker used financial advisors, management personnel, pilots, mechanics and laborers. These employees doubled as drug dealers, pilots, off-loaders and couriers. A private investigator was used to screen employees for the enterprise, this included polygraphic screening of potential employees. The private investigator was used as a negotiator to arrange freedom for an arrested associate of the "dopers".

The assets of the enterprise were fundamental to the diversification of the criminal activity. The drug conspiracy was rivaled by the smuggling of currency for third parties. The creation of the offshore banking interest not only served this purpose, but was a precursor for the formulation of the foreign trust as a legal holder of the assets he maintained in the States.

Based upon the information available, the next step in the process was to have been a move to use the enterprise exclusively for "banking and brokering." The plan was to use shares of stock in the Fidelity Trust Limited as a medium of exchange. This would have provided an excellent method of accounting for the movements of money in and out of the country to finance illegal transactions. "Public" trade in the stock would take the place of currency smuggling.

Walker's organization was held together by a belief it was inviolate. Walker's considerable criminal contacts made it likely that his operation was being considered by the drug underworld as a model for future operations. The parallel growth of the enterprises and the drug and money conspiracies is more than just coincidence. The enterprises "front" for the illegal activity. They are also legitimate receptacles for ill-gotten gains. Pilots and off-loaders can be paid weekly salaries despite the infrequency of drug trafficking activities. The movement of aircraft are legitimately explained. A vehicle for growth diversification has been provided and utilized.

Statement of Facts

The evidence presented traced the incorporation or creation of each enterprise from the fall of 1976. When the central story begins, WALKER has already created, and controls all of the entities involved and we can demonstrate his involvement in narcotics trafficking.

In 1979, WALKER and a Tampa area man named JWE are negotiating with Edgardo MORENO for the purchase and importation of marijuana and cocaine. A foreign national is acting as middleman. By March 1980, while Rudolph KEY and others are establishing WALKER's offshore banking operation, these negotiations have broken down.

In about March 1980, the "go-between" arranges for negotiations to begin between Fabio JARAMILLO and WALKER. The original agreement is for "20 Keys" of cocaine to be provided by JARAMILLO's syndicate. WALKER is to transport it into the country. Half of the shipment will be WALKER's to distribute throughout Florida and Georgia. The other 10 kilos is JARAMILLO's (and will eventually be distributed on the West Coast).

In April 1980, JARAMILLO meets with WALKER in Tampa to finalize the transaction. WALKER also travels to Bogota to meet with JARAMILLO and the syndicate he represents.

Sometime in April or May 1980, in Tampa, Walker gives over \$150,000 to JARAMILLO as an advance on this deal. Seventy-five thousand dollars is provided initially by WALKER. The remainder is sent by WALKER with Scott "Doc Pine" BELLAMY, a courier, to Tampa from Miami.

From April to September 1980, many of the WALKER/JARAMILLO dealings, meetings and conversations are tape-recorded by a confidential informant. Numerous international and interstate telephone calls to further the drug conspiracy can be proven through these tapes. Moreover, surveillance observations corroborate both travel and meetings.

To insure the completion of the cocaine deal, WALKER sends Raymond ROLLINS to Colombia. In late May 1980, ROLLINS and several members of the JARAMILLO syndicate are arrested at a raid on a cocaine farm.

WALKER's Atlanta connection, John ZACCAGINO, hires a private detective to help the organization arrange ROLLINS' and JARAMILLO's release. ZACCAGINO provides the detective with \$35,000 and instructions to meet with Robert WALKER in Tampa. In Tampa, WALKER gives the detective more cash and expense money and instructs him to meet with "Doc Pine" BELLAMY in Miami. At this clandestine rendezvous BELLAMY exchanges large denomination bills for the small bills the man had been given. The money now totaling \$40,000 is smuggled out of the country without being reported.

John PIERRE, a "broker", WALKER, the investigator and others meet in Curacao and later Bogota. From there the investigator goes to Colombia where it costs \$90,000 to arrange ROLLINS' release. Carlos VALEZ and Pablo MILIAN arrange for the rest of the money to be paid on behalf of the JARAMILLO syndicate for JARAMILLO's release. The total costs are \$180,000.

Because all of JARAMILLO's available cocaine has been seized, the parties agree to substitute an equivalent amount of marijuana, and several loads are flown into NORTH TAMPA AIRPORT. On two occasions KLEPAC and CLARK pilot separate plane loads into the airport at the same time. Under the direction of GORDON the loads are transferred to B AND D LEASING vehicles. Gus TSOURAKIS then lead-drives these convoys out of the airport. The off-loaders are paid with large cash bonuses and, in some cases, in small quantities of marijuana.

Meanwhile, WALKER is expanding his operation to include methaqualone and is looking for "depositors" for his offshore banking venture. Two episodes during 1980 begin to unravel his schemes.

A WALKER "motif" is to have one of his enterprises lease an aircraft. The aircraft disappears and is reported to local authorities as stolen. With the markings changed the plane is then "safe" to use in narcotic trafficking.

One such load, piloted by Robert CLARK, is seized by Bahamian authorities on March 2, 1980, with about 800 pounds of marijuana aboard. The plane is forfeited to the Bahamian Government.

On April 26, 1980, KLEPAC steals the airplane from a Bahamian field. It is flown to NORTH TAMPA AIRPORT by KLEPAC, where employees are instructed to remove its markings and re-mark it. It is then flown to New Orleans where it is seized by Customs. John WALKER, Robert WALKER's son, is the pilot.

Based upon this and other evidence provided by Customs, Bahamian authorities strip the bank of its charter in August 1980. When WALKER is able to resume banking activities or about November 1980, he is desperate for new capital.

An undercover operation in March 1981 leads to WALKER's arrest while he is trying to smuggle \$500,000 out of the country. WALKER believes the money to be narcotics proceeds. During the course of several taped conversations, WALKER details the use of the orange grove and airport for clandestine flights, admits to his own experience in narcotics trafficking, and asks the undercover agents if they can provide him with a quaalude formula for a laboratory he is setting up, and details the manner in which his offshore holdings are used to secrete his money and ownership of the American assets (see Exhibits, Tape Excerpt 1-6).

Search warrants issued in March 1980 result in several significant seizures. The most important are: several documents and records reflecting loads of drugs, bale weights, payments, etc., and several items on drug production and distribution. Four ounces of cocaine (80 percent pure), and about 800 quaaludes, are found in the personal safe of WALKER and DORIS ADKINS, his live-in girlfriend.

Immediately after WALKER's arraignment, BRITISH WEST INDIES sells its interest in NORTH TAMPA AIRPORT to a Michael KATZ. Investigation establishes this to be a sham transaction.

On or about April 17, 1981, WALKER disappears, his bond is revoked and he is indicted for bail jumping. On May 18, 1981, WALKER's body is found in a wooded area just north of Hillsborough and Pasco County, Florida, borderline. The autopsy determines the cause of death as strangulation. On June 6, 1981, Michael KATZ admitted to driving the car WALKER was killed in at the time of the murder. To date, KATZ has refused to identify the killers. KATZ was subsequently charged with first degree murder and is presently awaiting trial in the matter.

On July 9, 1981, the Federal Grand Jury in Tampa, Florida, returned indictments against WALKER's associates and sources of supply.

The following is a summary of the disposition of those indicted:

<u>DEFENDANT</u>	<u>SENTENCE</u> (incarcerated not to exceed)
Spurgeon BARRETT	6 years
Scott BELLAMY	6 years
Robert CLARK	6 years
Ronald GORDON	6 years
Fabio JARAMILLO	6 years
Michael KATZ	8 years
Rudolph KEY	5 years
Lonnie KINSEY	3 years
John KLEPAC	6 years
Raymond ROLLINS	6 years
Richard ROW	3 years
Gus TSOURAKIS	5 years
John ZACCAGNINO	5 years
Fanny DIAZ-DiGeraldo	Fugitive
Pablo MILILAN	Fugitive
Edgardo MORENO	Served disposition at State
Monroe BUTLER	RICO conviction - 30 years
John PIERRE	Dismissed (presently in Federal prison on related narcotics conviction)
Wally LEWIS	Dismissed (FDLE/Federal investigation in Northern District of Florida) - indicted and convicted
William YARBROUGH	Dismissed (based on decision from DOJ)
John ZOGRAFOS	Dismissed (based on decision from DOJ)

NOTE: It is estimated that the Walker Organization laundered in excess of \$10,000,000 in narcotic related money.

EXHIBITS

- Walker: See, See, what we do, and I'm telling you the biggest secret in the world and he knows it and she knows it, so I'm not...What I've done is, I've created a blind trust in the Turks Islands with the bank. Under, under the bank. Now the bank has trust powers and because the trust has the same facility of secrecy under the, under the law, as the bank account does, so to speak....And then for my further protection, I then made Mr. Trenchard in Nassau, as the actual trustee.
- Logan: Okay. That's the Larry Trenchard?
- Walker: So, what you have is, you have an attorney's confidentiality there, plus, the secrecy of the banking act, and then you know, because you have no taxes
- Logan: You've actually got it going from, you've got a blind trust from that end of it. I'm assuming we're talking about this Caicos thing....
- Walker: Yeah, right, um
- Logan: But then again, you've got it transferred to where Rudy would do it.
- Walker: But he is the trustee. In other words, see, he is....
- Logan: Oh, okay.
- Walker: He's the secretary of the bank, but he is the physical trustee. So what you actually have is, you have the attorney's confidential relationship, plus the secrecy of.....
- Logan: Plus, the secrecy of the banking act.
- Walker:the banking act and then what you do is, is: Most everything that we have is buried in that trust. If somebody ever came and looked at the corporate structure, they're going to find that all of the stock ends back, is in that trust, locked up in a safety deposit box in Nassau.
- Tischler: You mean, like
- Walker: Now, you don't have any income taxes, you see, in the Turks Islands and you don't have any in Nassau as such. You have corporate taxes and that you pay, but we don't have, there's no tax. So you see, you could, you could... In the United States, if you write, if you write, if you create a trust, you don't save any taxes and you don't have any privacy with it. The only way you can really get help out of it is to, for instance, pay yourself a salary as the manager of the trust, or some such thing. But this is not true with this trust. I can amend it anytime I want. I can change the trustee anytime I want. I can do any living thing in the world that I want and all I do is that I give the trustee written notice of what he's to do; and then he does it. We, if we buy a piece of property, for instance, somewhere, he is the one who does it as trustee of that trust
- Logan: Maybe that's what.... Is that what Paul's talking about when he's... We've got, we're trying to get... When you mentioned property is what's ringing a bell. That's what he's talking about this morning then, because we can purchase property here under....
- Tischler: Like your air, airport's, part of the trust?
- Walker: Yeah, right.

Key: That's the trust.

Walker: My homes are part of the trust, and, and the airport.

Tischler: That's what I was telling you.

Logan: We could have the same thing here then.

Walker: Now let me come back and say: You've gotta be careful. In the State of Florida, you cannot have the bank without the trustee as an individual as an attorney, because a foreign bank cannot serve as a trustee in the State of Florida. Property or businesses or stock ownership or anything. You have to be very careful. Now that's...that's the reason you, for the lawyer.

Logan: You've gotta put somebody up here.

Walker: No, that's the reason for the lawyer. See, in other words, see like, to give you an illustration. All of a sudden I discovered that the original way I had this turkey set up wasn't working right. I couldn't get title insurance for instance. Because to get the title insurance, I had to tell the title company who could sign on the trust. You see, what I'm saying. Which was defeating the very thing that I wanted. But as long as you've got the attorney, you see, they can check him out and they accept his statement that he can sign; that he is the trustee of the trust. So I actually had to amend this thing...what was it, about nine months, six, eight or nine months ago.

* * * * *

Walker: You gotta be careful. Because under, under the Florida law, if you own an operating company in a foreign trust, and don't file the annual reports as to who the officers and directors are and the whole nine yards, they have a right to come in and appraise and levy eighty percent of the appraised value of that damn business.

Tischler: Jeez

Logan: Eighty percent

Walker: So, you've gotta be real stinking careful. To give you an illustration: I've got a company in the states called British West Indies Corporation and it manages the airport and it manages the orange groves, and so on, for the trust.

Tischler: Oh.....

Logan: For the trust...Oh, and you're the trust.....
(laughter)

Walker: Well, you know, yeah, and I also run the managing company. You see, but the managing company is a Florida corporation. The owner of the assets, the owner of buildings, runway, and orange trees and the land, that all belongs to the trust. And that's no problem because those are all non-operating.

Logan: But the operating company....

Walker: But the operating is a Florida corporation. It just never makes no money.

Logan: That 's what Paul's talking when he's talking full circle.

Tischler: Yeah. Is that what the Colonel helped you set up?

Walker: No, no. I don't think the Colonel understands this. This is.....

Tischler: Oh, I wondered why we hadn't seen him lately.

Walker: This has been over about three years.

Logan: I didn't understand it until right now, and he's been whereas-ing and wherefor-ing half the damn day.

Walker: That's the big problem is, you just, you gotta watch the State of Florida. We're all walking around watching the Feds, but with this deal you've gotta watch the State because, man, they'll come, they do it.

Logan: Eighty percent, jeez. It....

Walker: Yeah, I mean, they just take it away from you.

Logan: Just one time.

Walker: Yeah, right....and so, but it's a very simple thing. In other words, I've got Britis, West Indies Corporation and it's an operating company and it contracts with the trustee to run all this stuff and it gets five percent for its activity. And with five percent it just loses its ass every month. It always has to get subsidized.

Logan: Love it. Love it.

Walker: So you know, and I got notice a year ago, now. It's not too bad a deal because I got notice a year ago, almost a year ago, it's almost a year ago, wasn't it? From the IRS that I was under criminal investigation. And I got notice a month ago, a month and a half ago, that it was all being dropped.

Key: Dropped. There were no grounds.

* * * * *

Walker: He is. Let me tell you something, if there's anything about the guy, he is, he is typically lawyer. He's slow. Sometimes your've just gotta go and sit and hold his hand and see that he, you know, get it dictated and then hear the clackety-clackety, you know, and we're all sitting there waiting for the papers, but that's typical lawyer. They're that way everywhere.

Logan: Well, is he bound by,

Walker: The man is a hundred and....huh?

Logan: Is he bound by their law? In other words, if he found out what was going on, he couldn't come up front with the information?

Walker: They have, no, no, in the Bahamas you have exactly the same client relationship that you have with an attorney here...Now you know, you know that accountants don't have that anymore.

Logan: Well, yes, we found that out...

Tischler: The hard way

Logan: In Wisconsin not too long ago

Walker: Well, now, let me tell you how to get around that. Make your accountant an employee of your attorney. You pay the attorney and he pays the accountant.

Logan: That's what Paul wants to do.

Tischler: That's what they're doing down here. It's not what they did in Wisconsin.

* * * * *

Logan: Hell, tell you what, um, you mentioned to Bonni, five points.

Walker: Yeah.

Logan: uh, is that alright with, any extras above that or below that?

Tischler: Well, I thought it was five plus operating costs, no? I mean, fuel...

Walker: Depending on how we're gonna get it on down there, see, that's....

Logan: Okay. Well, that was one of the other things. She brought that up, I guess, she called the other night about that part.

Walker: We, you know, if, if we just wire transfer it through Panama and going routes like that, why that's all. If we're faced with physically carrying it...

Logan: Well, if you can assure me that that bank. And very frankly you have assured me. Your comment on the plane alone just about did it. But that it can go...We've got...I guess it'll be five accounts that we'll need, mostly to be wired to. What I was primarily concerned about, and Bonni put it across to you, was maintaining some control over it and not having some interference.

Walker: Yes, there's no...

Logan: If you've got it set up in that manner, then, and you've got full control over it, so I know who to come to, more than anything. I don't want to have to come to twelve islanders to...

Walker: He's the president. But I'm the complaint department.

Logan: Okay. That's, that's what I needed was the complaint department.

Tischler: Rudy, what are you doing with your life when you're not being president?

Logan: I don't see any problems at all with it, and uh...

Walker: I think that we can do a good job for you. And we, we would like...and we need this, because as I said, we don't we just don't want to get big and splashy. We are probably gonna go ahead and get a banking trust license in Nassau, which we haven't had so far.

Logan: All right.

Walker: We've got an in-transit license which give us....

Logan: That's the other thing you mentioned to me, okay.

Walker: ...which is dollar in, dollar out, and that's not a problem to own. um-mm... But we are probably going to go ahead and get a Bahamian banking license. It, Trenchard has already talked to the people over, over at the Central Bank and they have indicated that it's fine with them. um-mm...We have been looking for rental space over there and everything I see I just keep walking away from. So what we're gonna do right now, because we, we cannot actively solicit accounts in the Bahamas, and I don't want to physically go all the way down to the far islands because we can do everything we need to do right there in the Bahamas...

Logan: No, the Bahamas itself.

Walker: And what he, and what we have now are in-transit licenses with the Bank of Montreal. And he is going back and asking them to broaden it out so that we can also use the bank of Nova Scotia. And so, that everything gets deposited in an account of ours there, and you know, they're both good, big banks. There's no

problem there that anybody's gonna find. But, as I said, we are probably gonna go ahead and... but anyway, what I was going to say is that we have elected, right this minute, to just go ahead and continue to do just like we're doing and using the attorney's office and, and his facilities, and so on. We've been looking and looking and just can't come up with the right kind of thing.

Logan: Okay, alright. Are you gonna have, or have you thought about, frankly, and it might be a dumb question. If it is, correct me on it. Have you thought about any security? Are you going to use the, his office...I'm really talking about...

Walker: We're going to use the Bank of Montreal's vault.

Logan: Okay, alright.

Walker: It's a lot bigger than, and better than any that we, you know, it's uh...and all accounting will be done over there in their steel vault.

Logan: Oh, okay.

Walker: All I'm saying is that as far as the, the address and so on, we're gonna use the attorney's office.

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Walker: He, you see, we've got a little old airport up there that has, it has good facilities and we have real good maintenance facilities and we don't do any outside work. We just do our own.

Logan: Well, Bonni tells me that it's nice and exposed and you can see a hell of a long way from anywhere.

Walker: Yeah, but you can see the other people too. See, in other words...

Tischler: Hell, no that's what he's getting at...

Walker: I never like to operate at night cause I can't see who the hell's out there.

Logan: That's the point. That's the point I like. That you can see what's out there and what's coming.

Walker: That's right, you know, and if, if the wrong...If something is sitting around that, that we think is kinda strange, we just go look at it, you know.

Logan: Damn right.

Walker: I mean, we just go right out and look. I got, I gotta tell you something.

Logan: Hell, that just sounds okay.

Walker: The only time that I've ever known of a problem, is, I got a phone call from a guy, and I...This is when the office was downtown, but I was at the airport, and the man wanted to speak to the owner or the manager, whoever was in authority. And, I, I went to the telephone and he said, "I'm not gonna tell you who this is, but," he said "I make a hobby of listening to the Feds." He says, "they have got my brother locked up for something that he didn't do and," he says, "I just make, I make it, I stay up every night and listen to them." He says, "I've got every conceivable thing to listen to them with and," he says, "I figured I better call you up and tell you your airport's staked out." So, he says, "so if you're doing something you shouldn't do, you better be changing it."

Logan: Oh, Jesus, put that man on the payroll.

Walker: Yeah, you see, we were not doing a thing in the world. And when we are, we've got scanners going and every other goddamn thing, you see. But we weren't doing a thing in the world. But I immediately came out and started, and, looked. And you know, started looking and sure as hell, you know, they were out there.

* * * * *

Logan: Especially in Florida. I mean for every damn private airport, you've got there's somebody looking at it some time or another.

Walker: There's no place to hide...

Logan: That was another thing I was going to get into, so...

Walker: ...around there. So you see, you can just kinda scoot around and, and a lot of it is undeveloped fields, you see. And just, there's just no...

Key: You can see all over.

Walker: There's no, you can get in an airplane at 500 feet and there is not a living place you can hide a cruiser or a car or...

Logan: Well, do you think that'd be necessary on these, to do something like that.

Walker: We're, we're gonna go from somewhere else, anyway. But that's not...

Logan: Oh, okay.

Walker: ...but I'm just, I'm just...that airport, as we go along. There's a couple things that we have. We've got a strip in Panama that belongs to some friends of ours and we gave them some money a while ago and they improved it a little bit. I really haven't any idea what we're ever gonna do with it, but it's only about sixty miles from the border.

Tischler: Yeah, I told him about it.

Walker: And, it's there.

Logan: Well, that is getting to be a favorite, but it's simply because of the islands seem so complicated and they did have problems there for a while. Not just us, others too. Panama might be very...be more problem in the future.

Walker: Well, uh. One thing about Panama is that you can get, you can get to the General and he'll cut a deal. I mean, if you have a reason for that type of thing and it's just, we, as I said, we got this, we...

Logan: You talking about this, what's his name?

Tischler: Trujillo

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Walker: We've never, we've never fooled with with anything but one thing. And I, before I went to the hospital I made up my mind I was gonna switch. But I, let me, let me say this. We're talking about something that, not being a user, my knowledge is, is you know.

Logan: If you were a user I wouldn't be talking to you. I mean, that's rule one.

Walker: Yeah, well that's, let's say either would I. You'd be surprised I've gotten so I'm going around looking at everybody I just, cause goddamn there's just a lot of nutty thinkers around any, anyway, uh. Anyway, I've never

been able to find anybody that would ever front me and I've never wanted to lay the cash out because I didn't know what the hell I was buying. I mean, I just, I did get into that one deal, down there, almost to the end of the country. Caqueta? Caqueta?

Tischler: Caqueta.

Walker: Caqueta. And lost \$125,000. They put all the raw material in the aviation gas and the soldiers poured it all on the ground.

But anyway. We have just made a contact with some people who have had some problems of their own and they, they've been looking for something else and they're not real large, but they're, which I couldn't handle real large, anyway. I mean, I don't have.. One of the problems, is, is, as you get older you have more difficulty on the market because a lot of the people don't like to work with an older person and you start getting, getting, to working toward the streets, you see. Okay, and so, these people are willing to do what I want on a small scale, which will give me a chance to open some doors and stuff. Uh, and they're not brokers, um, so we'll see. I may, I may come and ask you for some help.

Logan: Okay, well, the only thing I'd ask there ---

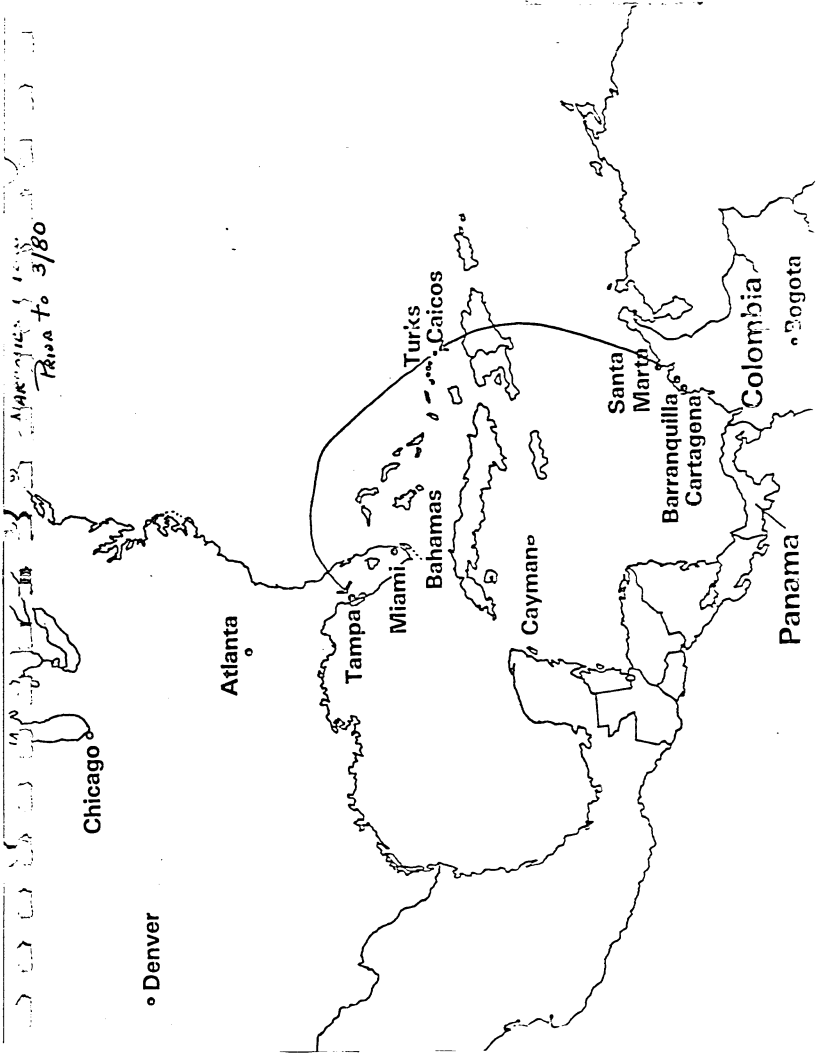
Tischler: Hell, we're pretty much staying away from grass, and we're almost all into coke, so

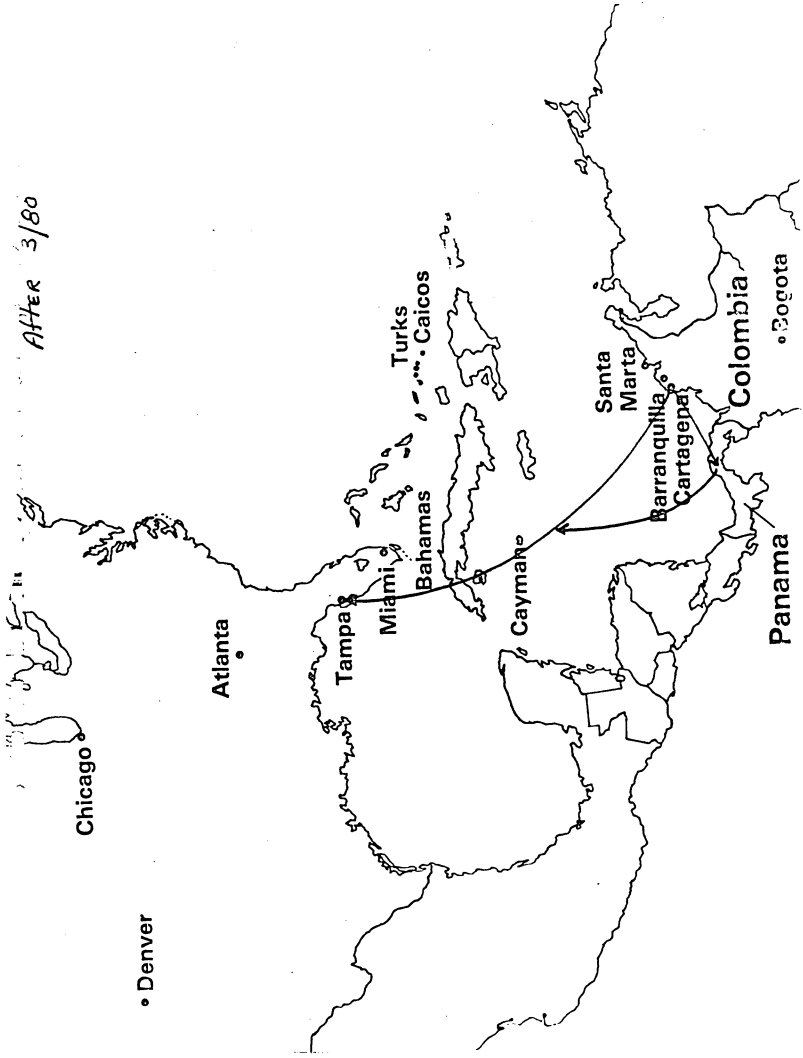
Walker: That's what I'm talking about, you see. And that's all I've ever fooled with in the past is grass. I've had some funny experience. You know, when we were talking about profile...

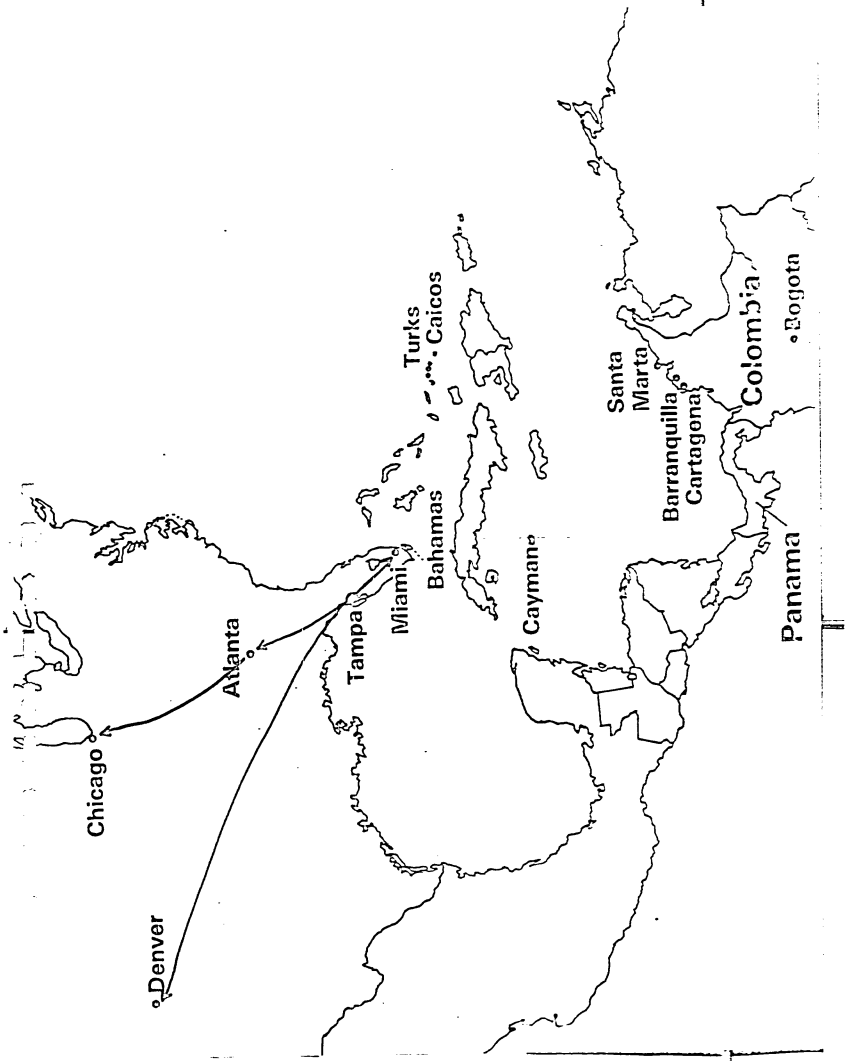
Logan: What I didn't want you doing is going outside, very frankly, and getting some of those folks on that end. If it's something that you did intend to deal in, or even thinking about, like to keep in in the family, is what I'm getting at, okay?

Walker: You've gotta finance these businesses somehow.

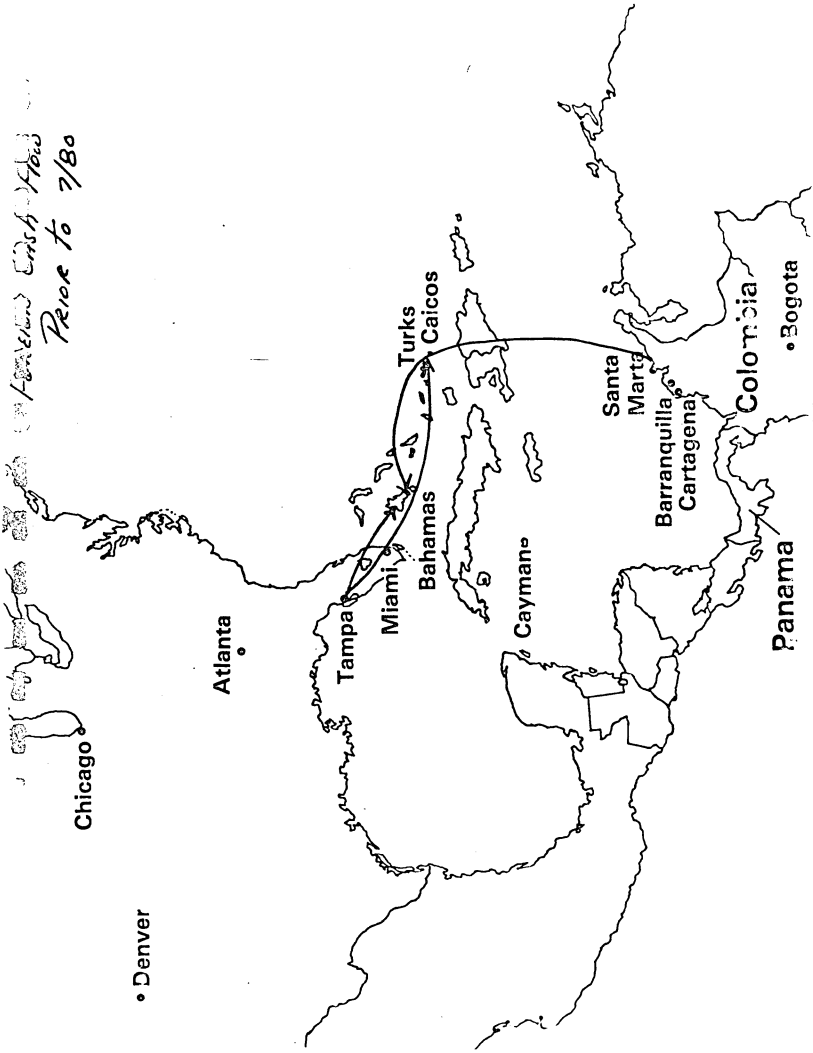
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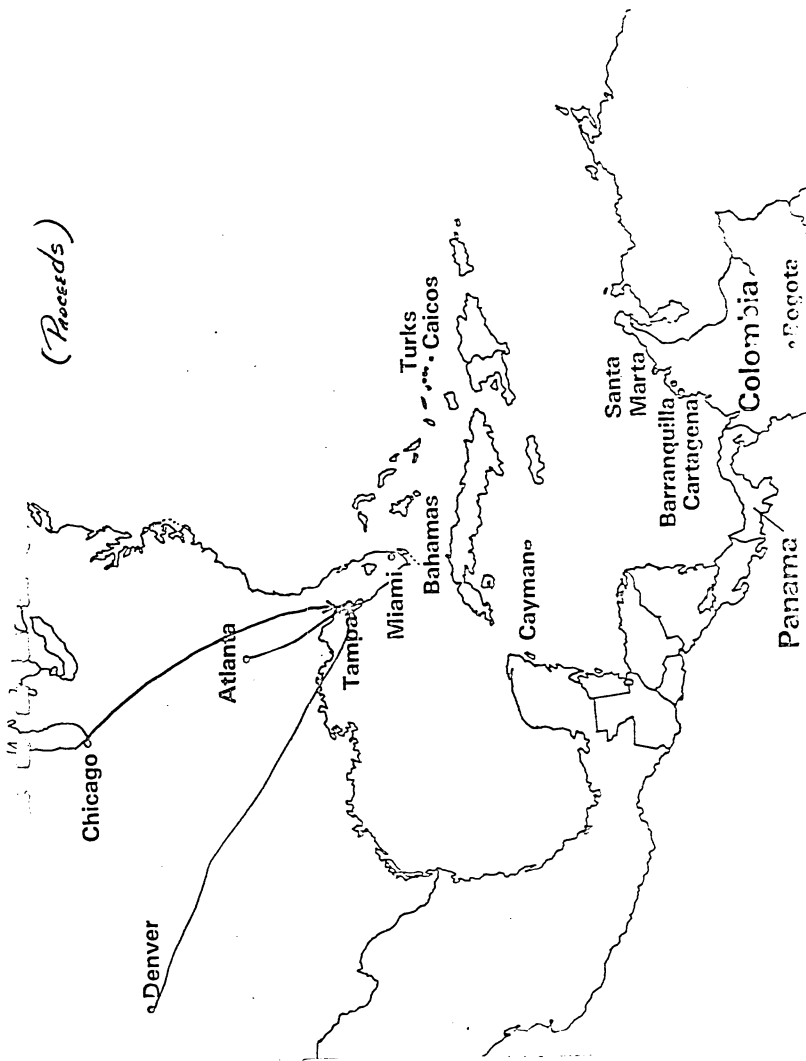




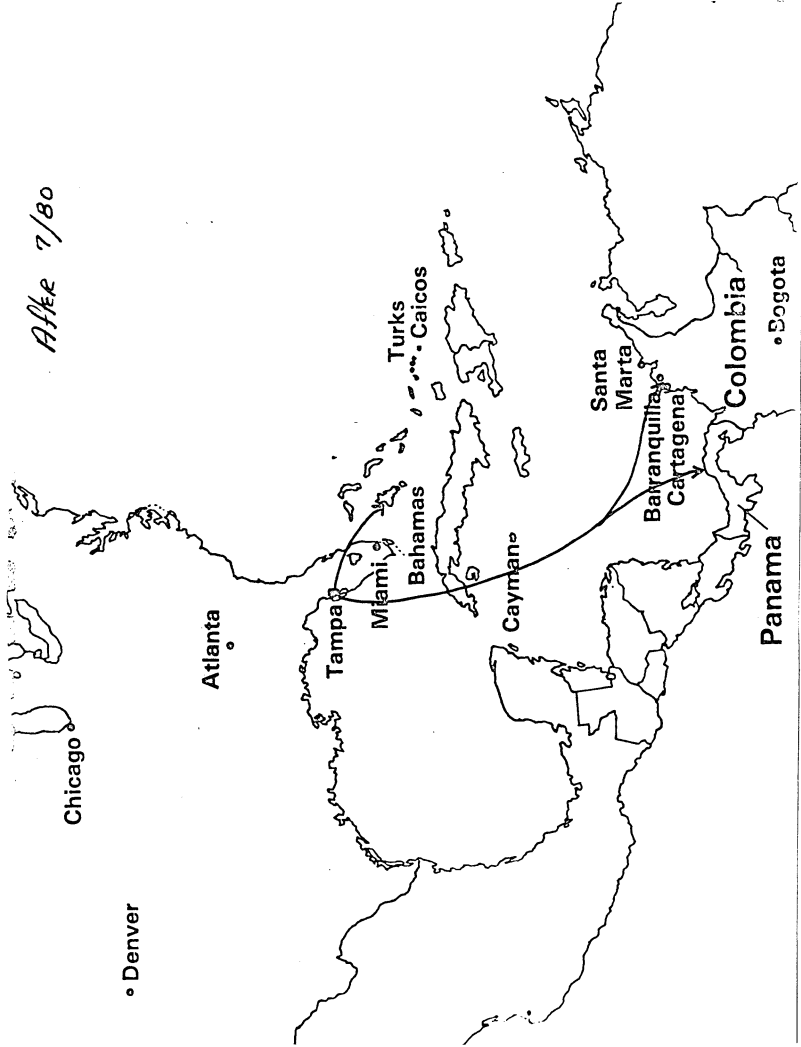


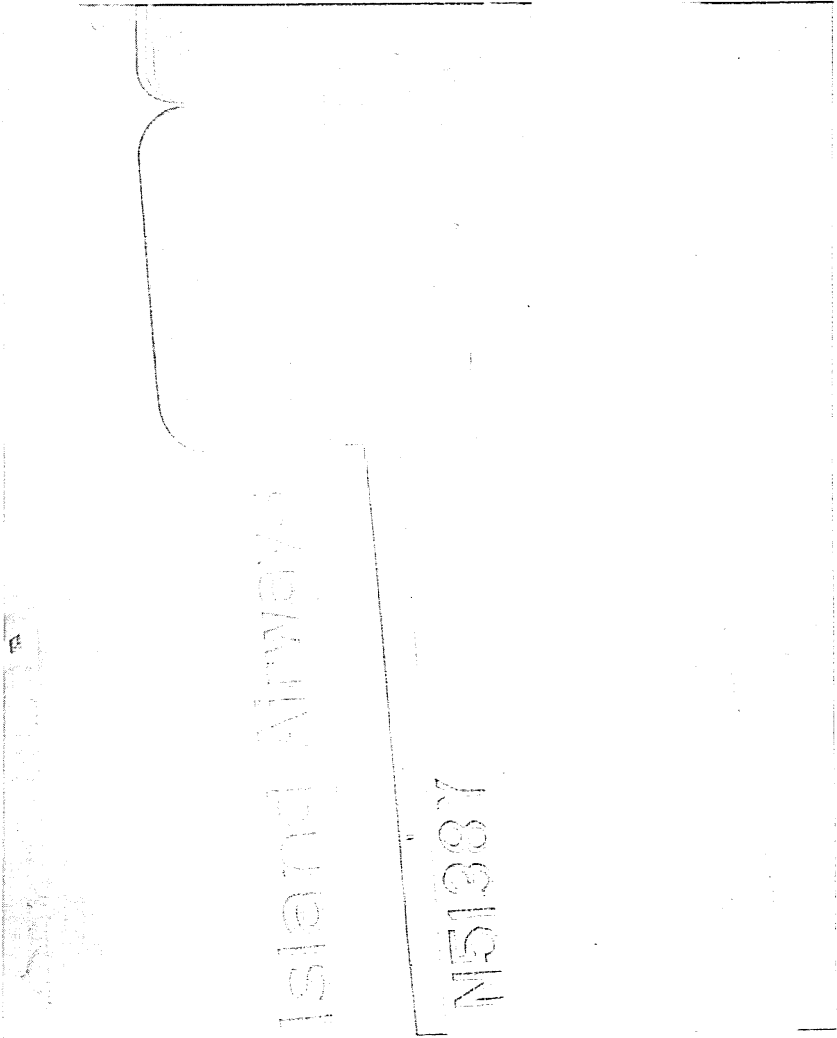
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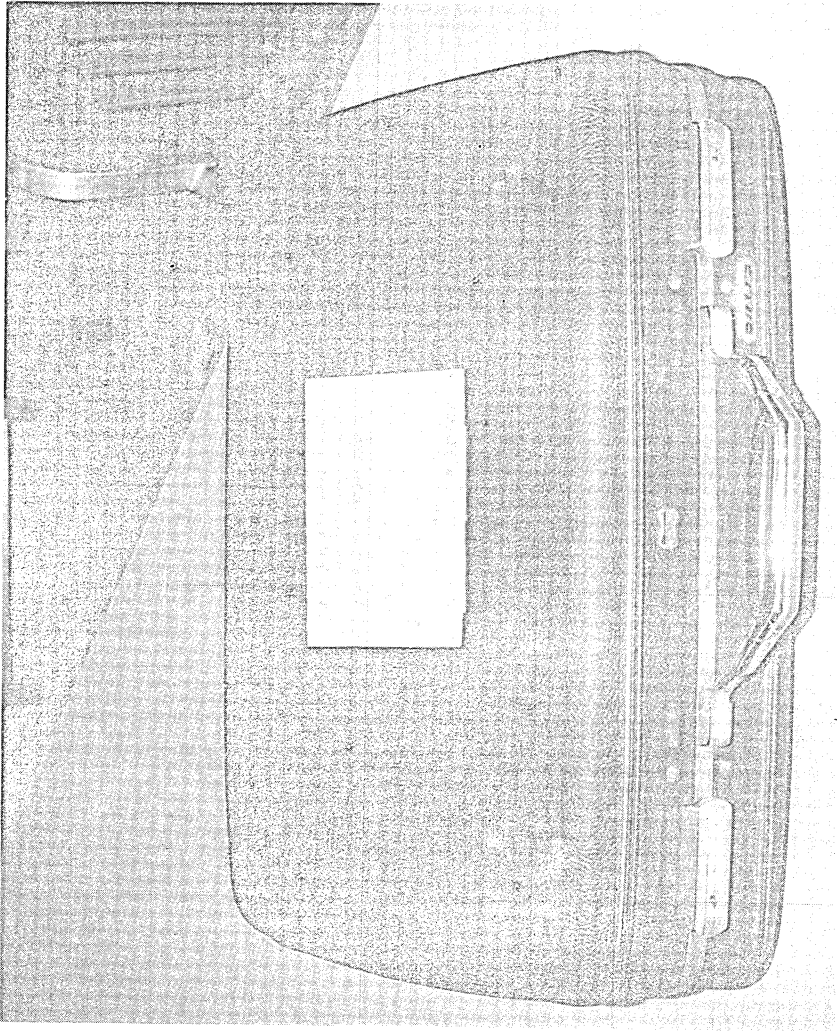
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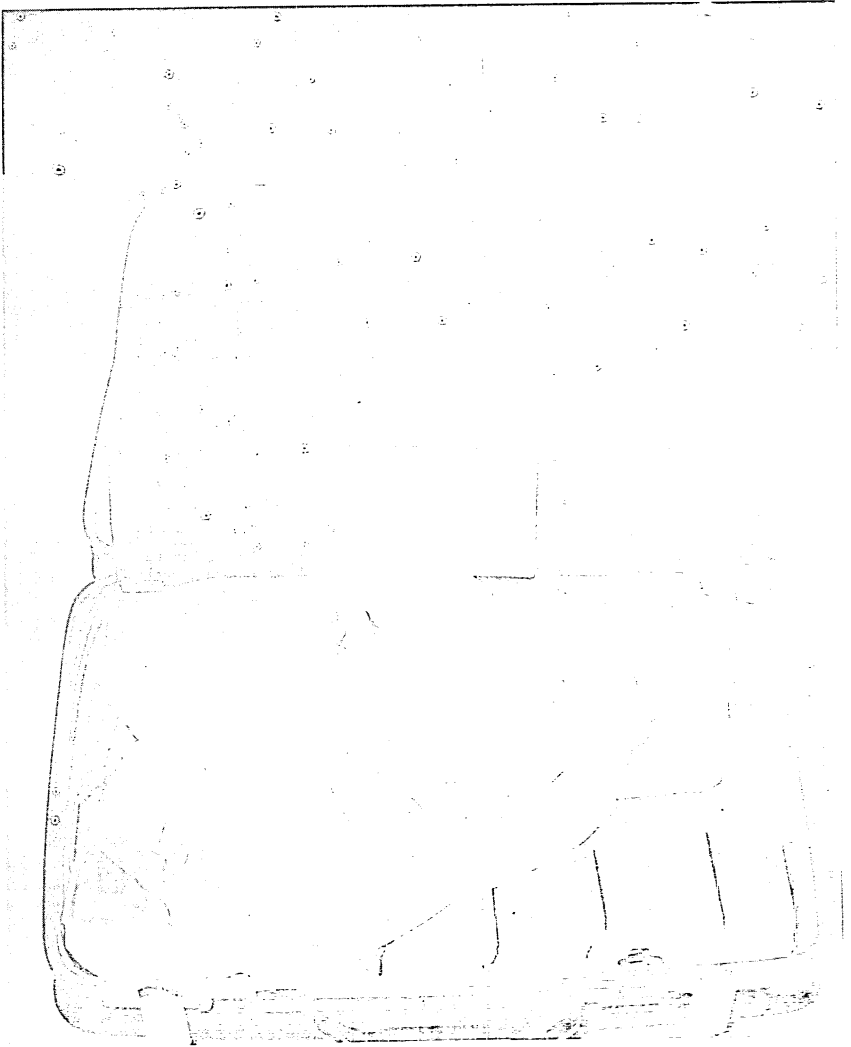




Island Airways

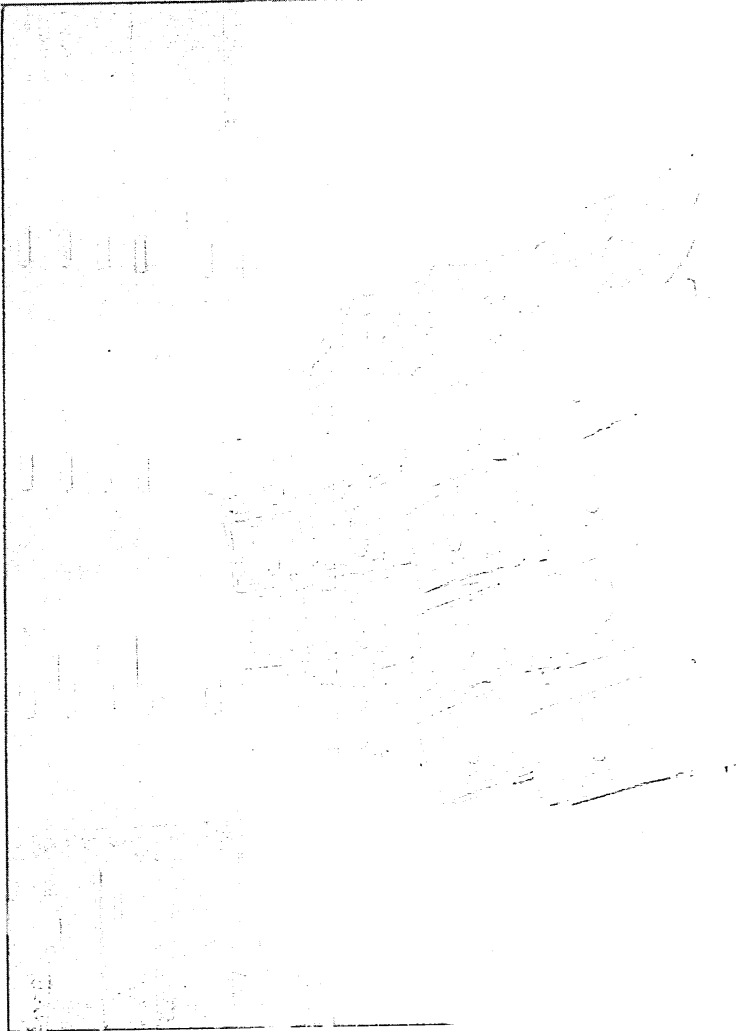
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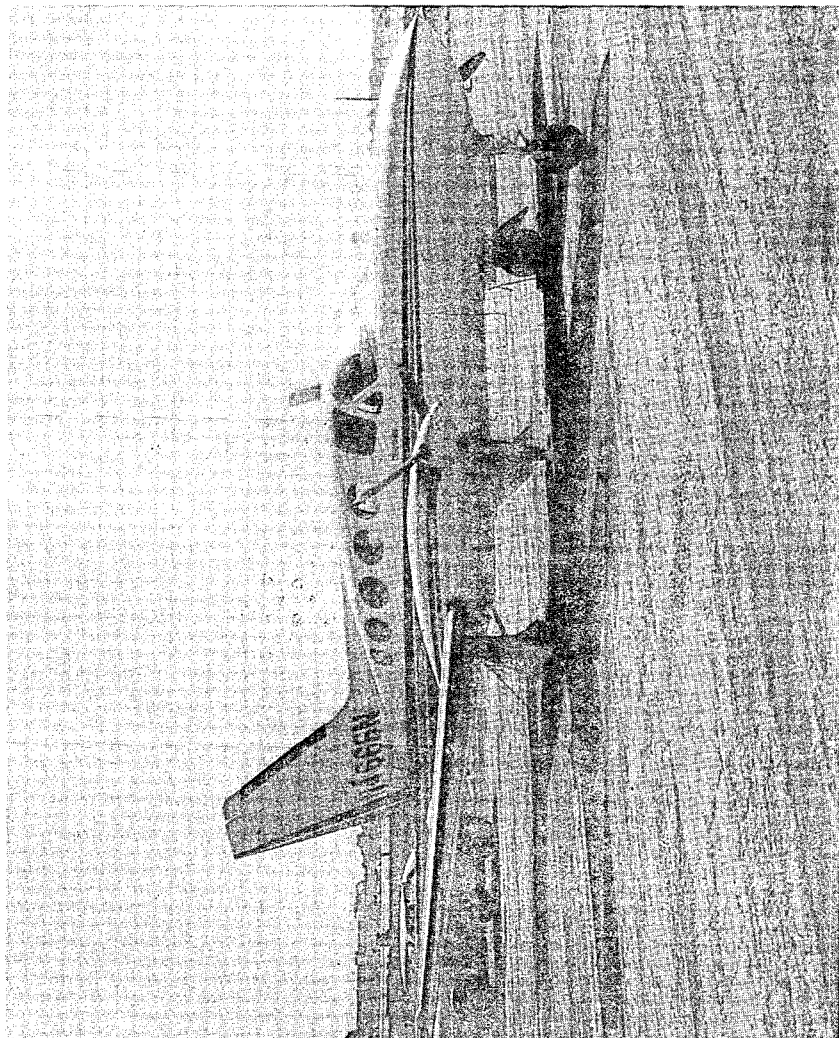


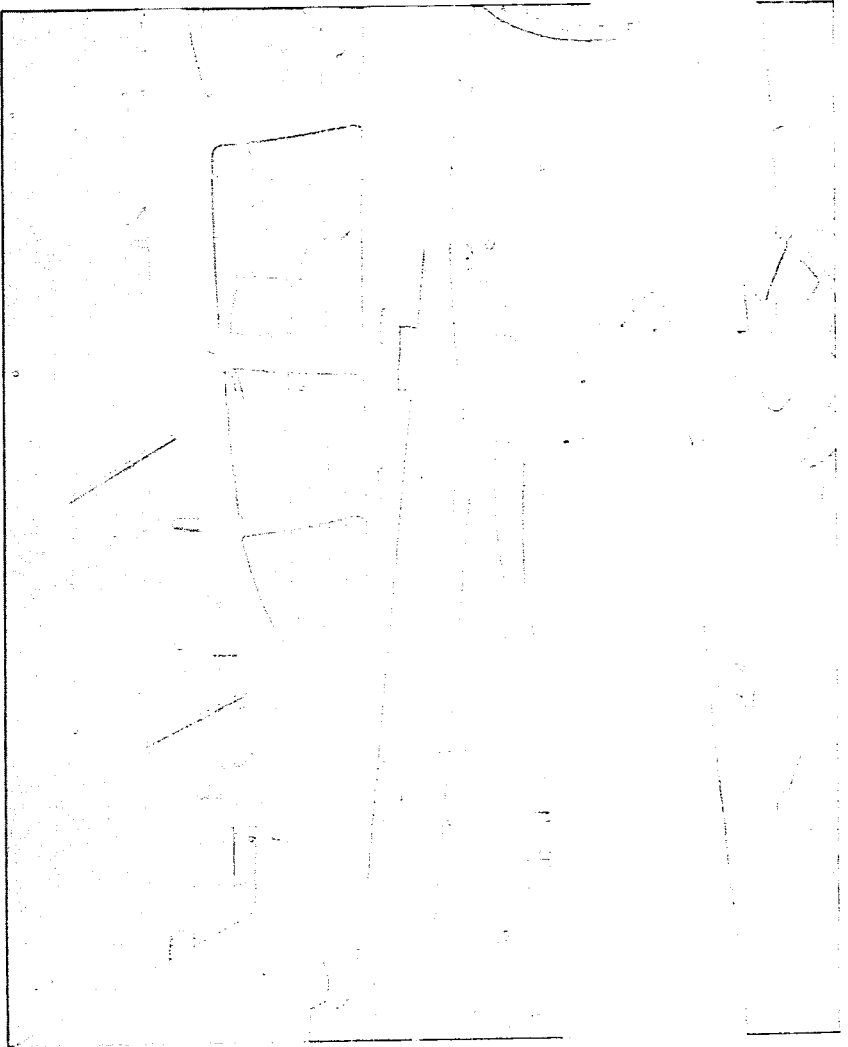


M102CROK4501
CURRENCY FOUND
ON PIRANCA KEY
\$10,000.00
3/19/81



















VIOMAR INVESTIGATION
(AUGUST 1980-JANUARY 1982)

VIOMAR AND COMPANY

The investigation disclosed VIOMAR AND COMPANY was a close knit inter-familial organization based in Colombia which was involved in enormous currency exchange/money laundering operations on an international scale; 18 members were identified as principals. These principals created four Panamanian "paper" corporations and one domestic corporation through which the illegal activities of VIOMAR AND COMPANY were conducted and concealed within the United States. The principals stated that all U.S. currency delivered to Miami area banks was from their foreign exchange activities in Colombia and that the international transportation of the currency was reported to U.S. Customs Service as required by law. However, for example, of the \$77 million in U.S. currency delivered to one Miami bank by this organization during 1980, only \$10 million was reported to the U.S. Customs Service as being transported or received by VIOMAR AND COMPANY, ET AL., from Colombia.

VIOMAR AND COMPANY was a shell corporation supervised by Felix GATENO in Miami, Florida; brother-in-law Jose BESALEL in San Andres, Colombia and brother-in-law Jose BEJMAN in Barranquilla, Colombia. The domestic receipt and disbursement of U.S. currency was controlled by Felix GATENO from PAVILLION AUTO LEASING AND RENTAL, a domestic currency Florida corporation. Four other shell corporations were formed to further conceal domestic currency exchange activities. Deposits of U.S. currency in excess of \$165 million were traced into VIOMAR AND COMPANY accounts in the Miami area for the years 1978 through 1980.

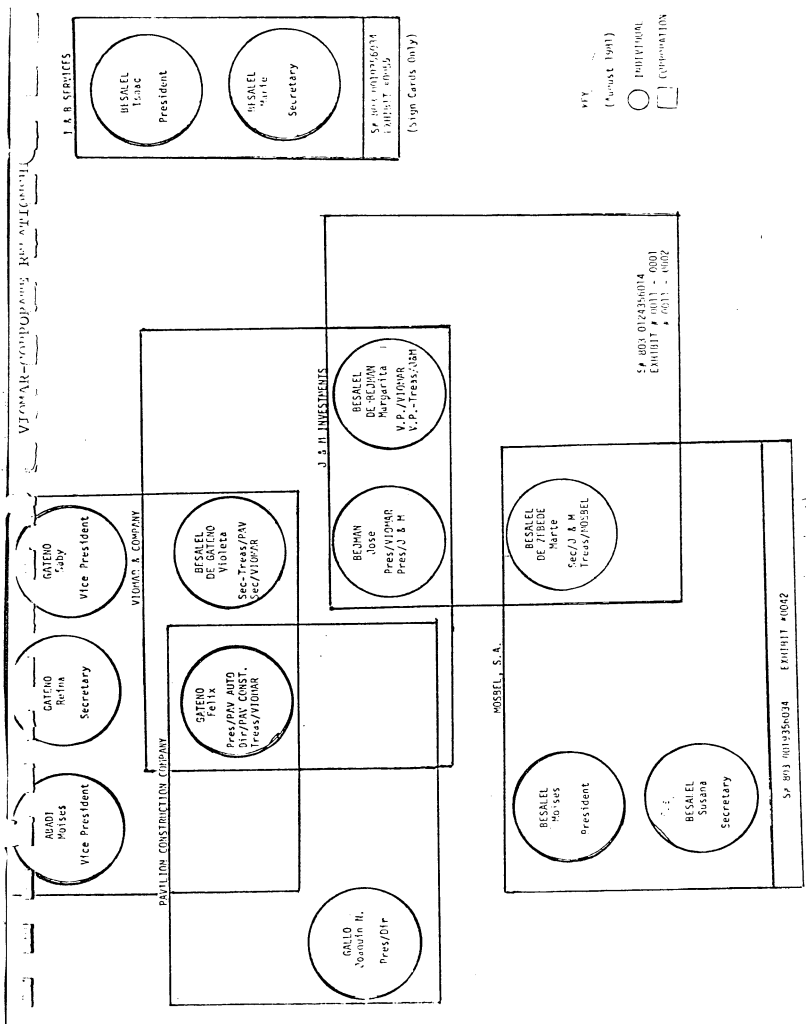
VIOMAR was a black market currency exchange that operated in Barranquilla and San Andres, Colombia, as well as Miami, Florida. VIOMAR acquires U.S. cash in Colombia by selling Colombian pesos or checks for pesos to individuals who had U.S. dollars that they had to convert to Colombian currency.

VIOMAR performed currency exchanges at a rate more beneficial to a client than the Colombian banks would provide. The flat exchange rate that VIOMAR utilized was flexible, according to market conditions, but always included a built-in profitable service charge.

VIOMAR failed to report domestic U.S. transactions with various clients as well as transportation across the U.S. border in an attempt to defraud the U.S. Government. VIOMAR promoted both illegal activities concurrently in order to conceal the original of the currency and monetary instruments since reporting meant the exposure of their source. The failure to report domestic transactions and the failure to report international transportations were inseparable acts of a continuing pattern of illegal activity.

Jose and Margarita BEJMAN accepted either Colombian pesos or checks for pesos in Barranquilla from individuals seeking to convert the cash or monetary instruments into U.S. dollars. According to witnesses and VIOMAR principals, these dollars were the result of instant or prior transportations to the United States. VIOMAR principals in the U.S. then disbursed the U.S. currency either to clients or were responsible for depositing the cash into a client's U.S. bank account.

The unreported international transportation of more than \$23 million in U.S. currency was documented by the investigation. A request for issuance of a civil penalty in this amount was approved by the Treasury Department. Temporary Restraining Orders were obtained to prevent liquidation of assets prior to final judgement of forfeiture. The identified assets consisted of more than 200 vehicles owned by PAVILLION AUTO LEASING AND RENTAL, a 28-acrement condominium, numerous bank accounts and numerous certificates of deposit held by various defendants.



E. NATIONAL SAMPLING OF CLOSED CASES

4. Customs Participation in Drug Enforcement Task Forcesa. Presidential Drug Enforcement Task Forces

Customs is participating in the formation of 12 Presidential Drug Enforcement Task Forces which have presently become operational. The purpose of these task forces will be to target, investigate and prosecute individuals who organize, direct, finance, or are otherwise engaged in high-level illegal drug trafficking enterprises, including large-scale money laundering organizations, and to seize assets and profits from these high-level drug traffickers.

b. South Florida Task Force

On January 28, 1982, the President established a Cabinet-level Task Force on crime in South Florida. Its formation was due to the rampant crime and epidemic drug smuggling problem plaguing South Florida. The objectives are: (1) increase the number of arrests and prosecutions of drug smugglers, (2) increase the number of drug and currency seizures and forfeitures of assets belonging to drug smugglers, (3) increase the number of seizures of narcotic contraband, and (4) deter narcotics-related smuggling and associated financial transactions. As part of and in support of, the South Florida Task Force, the U.S. Customs Service, in cooperation with the Drug Enforcement Administration formed the task force and became operational March 15, 1982.

c. Others

Additionally, the U.S. Customs Service has agents assigned to 22 other multiagency task forces/strike forces targeted against organized crime.

CASE EXAMPLESSAN FRANCISCO

During this same time period, the SAC/San Francisco was working on information that a shipment containing 3,000 pounds of hashish would arrive and be removed by airline employees. A source developed within the airline reported that the shipment would be one of several and that a total of 13 tons would eventually be imported using this method. Subsequently, the source advised that the shipments would not arrive because a shipment destined for Boston had been lost.

At this time the SAC/San Francisco learned of the Boston seizure and requested the shipment be forwarded to San Francisco. Upon its arrival the shipment was maneuvered into the air cargo terminal in question within a 2-hour period. The Boston shipment was removed by airline employees in San Francisco established a national smuggling network.

This investigation resulted in the arrest of 6 individuals, 3 airline employees and 3 other participants through plea bargaining, one of the defendants cooperated and the investigation led to the arrest of 2 additional subjects who had ties to the former BROTHERHOOD OF ETERNAL LOVE, a Southern California

narcotic dealing organization of the 1960's. Investigation further established that a 2,500 pound hashish shipment had been imported earlier by this group through the same terminal. The source also advised that he was recruited by the group, paid \$350,000 given by the means of moving his money to foreign bank accounts in the Grand Caymans and supplied with an attorney following his arrest. He had also been advised that his group was operational in other terminals in airports across the country.

Wilmington, NC:

A purported organized crime figure recognized as one of the largest illicit gun dealers on the East Coast, was sentenced to ten years in prison for his role in the shipment of military type weapons to Irish terrorists in the British Isles. During the course of the investigation, it was determined that the subject was also the recipient of approximately one-half million rounds of stolen military ammunition.

Seattle, WA:

A member of the Tribal Thumb, an urban guerilla group comprised of former members of such radical groups as the Symbionese Liberation Army, the Black Liberation Army, and the Black Panthers, was sentenced to life in prison for the killing of a U.S. Customs Inspector at a small border station in north-western Washington State. The subject and his wife were returning from the interior of British Columbia, Canada, where they were searching for a remote site to establish a new urban guerilla warfare training camp. At the time of the killing, the subject was an escapee from a vocational institute in California where he was serving a sentence for the killing of an elderly couple in Fresno, California.

Honolulu/Guam:

In mid-1980, Japanese Customs at the New Tokyo International Airport seized over 1600 rounds of ammunition and twenty-two handguns from a member of Japanese organized crime. Subsequent investigation traced the weapons to Long Beach, California, and other U.S. cities. It was determined that a group of Guamanians, working in concert with

Japanese criminals, smuggled the guns from California to Guam, Saipan, and finally to Japan, concealed among personal articles left by Japanese WW II dead. As a result of the investigative efforts of Customs and BATF agents, assisted by law enforcement officials from Guam, Saipan, and Japan, indictments were obtained against eighteen individuals charging them with conspiracy, aiding and abetting, failure to notify a common carrier of firearms shipments, and currency reporting act violations. Convictions were obtained against nine of the individuals, with two others listed as fugitives.

Miami, FL:

A group of individuals using the company name Captain Nautilus, conspired to violate the U.S. neutrality laws by entering into a contract with the former government of Nicaragua to ship from the U.S. to Nicaragua fourteen North American T-28D fighter aircraft. Five such aircraft were delivered before the shipment was terminated by the U.S. Customs Service. The case has been accepted for prosecution by the U.S. Attorney's Office for the Southern District of Florida.

Miami, FL:

A revolutionary group known as the "Party Popular for National Haiti," under the leadership of Bernard Sansarico, launched an invasion of Haiti from within the U.S., exporting war materials in violation of U.S. neutrality laws. A total of six persons were ultimately arrested and convicted.

Miami, FL:

A revolutionary group known as the "Council National Liberation Haiti," launched an invasion from the U.S. against Haiti in an attempt to overthrow the present government of Haiti. Twenty persons were indicted for violation of U.S. neutrality laws. Sixteen were convicted, two were dismissed, and two remain fugitives.

Miami, FL:

A leftist oriented terrorist group known as the "Brigade Hector Riobe" has been launching terrorist raids into Haiti from the U.S. in an attempt to overthrow the present government of Haiti. One member of the group has been arrested for violation of U.S. neutrality laws, another

member is currently a fugitive, and at least eight other indictments are anticipated in the near future.

Miami, FL:

In December 1982, Hilertant Dominique was arrested in Santo Domingo, Dominican Republic, after arriving from Miami with sixteen firearms. Dominique, a Haitian exile previously living in Venezuela, is allegedly the leader of the United Party for Communist Haiti (PUCH). PUCH advocates the military overthrow of the current Haitian government. Investigation continues to identify associates in the U.S., with indictments anticipated in the near future.

Philadelphia, PA:

United States Customs, along with representatives of other federal agencies both in Philadelphia and other major U.S. cities, are taking a close look at an emerging loose knit group of Russian immigre's apparently engaged in traditional organized crime activities including currency violations, smuggling, murder, extortion, narcotics trafficking and counterfeitng.

Detroit, MI:

Two Yemenese citizens were arrested after they attempted to illegally export to the Yemen Arab Republic nine firearms and a large quantity of ammunition, as well as holsters, pistol belts, blackjacks, saps and bullet pouches. Both individuals attempted unsuccessfully to claim diplomatic immunity. There were indications that one of the individuals, who is a provincial official and law enforcement officer, was bringing the contraband to Yemen for a higher government official.

Detroit, MI:

Three individuals were arrested at Detroit Municipal Airport after they attempted to illegally export eight firearms to Beirut, Lebanon. Guilty pleas were entered by all three. Investigation revealed that the individuals were active members of the Palestine Liberation Organization (PLO).

Philadelphia, PA:

A Federal Grand Jury in Philadelphia, PA, indicted three U.S. citizens for violations of 18 U.S.C. 371 (Conspiracy to smuggle 6,800 Mexican gold coins (valued at \$1.6 million)) and \$500,000 worth of counterfeit U.S. currency into the United States. The investigation was conducted jointly by agents of the U.S. Customs Service and the U.S. Secret Service. The investigation disclosed that two Mexican nationals residing in Mexico were also involved in the conspiracy. Two of the individuals pled GUILTY to the charges. The third, an attorney, was convicted by a jury trial in Federal Court. One of those convicted, an LCN associate, was developed into a Government informant who provided information to the U.S. Customs Service, the Bureau of Alcohol, Tobacco and Firearms and the Federal Bureau of Investigation. On or about September 1980, this individual and his girlfriend were found shot to death in the front of his car.

Philadelphia, PA:

In September 1977, a Customs special agent received information that several local Greek businessmen were engaged in illegal exports of large amounts of currency from the United States to Greece. The amount of currency involved allegedly exceeded \$500,000. As a result of this information, two members of the group induced to cooperate with the U.S. Government. The cooperating individuals were given immunity by the U.S. Attorney's office and documented as confidential informants.

These individuals provided original and duplicate books, cash register tapes, and additional information regarding the operation but were unable to give specific information concerning the illegal export of the currency.

Based upon this information, the Internal Revenue Service was brought into the investigation and ultimately given the case.

On March 10, 1982, a Federal Grand Jury in the Eastern District of Pennsylvania indicted the two brothers and an associate for their parts in the skimming operation which totaled in excess of \$500,000.

The ultimate indictment was essentially on the information and documents obtained through the U.S. Customs Service investigation. The two brothers are known asso-

ciates of organized crime in the Philadelphia area and were identified as such to the Pennsylvania Crime Commission.

New York, NY:

A Federal jury in New York returned a verdict of GUILTY against a registered pharmacist for receiving and distributing a total of 1,300,300 dosage units of prescription pharmaceuticals stolen from airfreight shipments at JFK Airport on numerous occasions. In the same investigation, three other individuals who effected the large-scale thefts were arrested and later pled GUILTY. The three received prison sentences ranging from 6 months to 6 years. The pharmacist received 2 years in prison and a cash fine of \$20,000.

New York, NY:

During early 1982, the U.S. Customs Service instituted an investigation concerning alleged criminal activities of an individual connected with a LCN crime family. A special agent, acting in an undercover capacity, met with the suspect, who wanted to dispose of a stolen Chemical Bank Cashier's Check for \$319,315.41. The individual claimed to have German Government bonds he would also sell for 15 percent of face value and claimed he had bonds totaling \$1 million face value. The individual was subsequently arrested on conspiracy charges and sentenced to 2-years in Federal prison.

Buffalo, NY:

This investigation was initiated on information received by U.S. Customs Service that a Canadian resident would enter the United States on July 9, 1982, to purchase counterfeit currency. While no currency act violations were detected, the investigation resulted in the arrest of five individuals and the seizure of approximately \$3 million in counterfeit \$50 (U.S.) bills.

Boston, MA:

The wife of a well known organized crime figure in Florida, was arrested at Logan International Airport for failure to report \$10,612 in U.S. currency, secreted in the boots she was wearing. On March 17, 1982, she pled GUILTY to violating the Bank Secrecy Act and received a 1-year suspended sentence and 2-years probation in addition to a \$1,000 fine. The \$10,612 seized was forfeited to the U.S. Government.

F. FACTS AND STATISTICS

AUTHORITY UNDER TITLE 31 (LEGISLATION/REGULATIONS)

TREASURY FINANCIAL LAW ENFORCEMENT CENTER (TFLEC) STATISTICS

OBTAINING INFORMATION FROM FOREIGN JURISDICTIONS

FEDERAL RESERVE STATISTICS

GREENBACK AND EL DORADO STATISTICS

LEGISLATION/REGULATIONS

- o U.S. Code Title 31, and Title 31, Code of Federal Regulations
- o Currency and Foreign Transactions Reporting Act of 1970 (Bank Secrecy Act)
- o Reports
 1. CMIR (Report of International Transportation of Currency or Monetary Instruments; CF 4790)

Required for transportation, mailing or shipping of more than \$5,000 in currency or bearer monetary instruments.
 2. CTR (Currency Transaction Reports; IRS Form 4799)

Required from financial institutions for each domestic transaction in currency over \$10,000.
 3. FBA (Report of Foreign Bank and Financial Accounts; Treasury Form 90-22.1)

Required for financial accounts in foreign country exceeding \$1,000 in aggregate value at any time during calendar years.
- o Search Authority (Currency)
 1. Inbound - Customs border search.
 2. Outbound - Warrant required except for consent searches and exigent circumstances.
- o Two Requirements
 1. Notification or knowledge
 2. Opportunity to file report
- o No award of compensation (moiety) provision
- o Penalties:
 1. Felony: 5 years/\$500,000
 - a. In furtherance of another Federal violation OR
 - b. Pattern of illegal activity involving transactions exceeding \$100,000 in 12-month period.

2. Misdemeanor: 1 year/\$1,000
 3. Civil Penalty:
 - a. \$1,000
 - b. Amount of currency or monetary instruments transported, less any amount forfeited.
 4. Forfeiture: Seizure and forfeiture of amount in the process of being transported.
- o Disclosure: All reports required under 31 CFR are specifically exempted from disclosure under Section 552 of USC Title 5.

TITLE 31 notations

Definitions and application	5312
Civil penalties (IRS)	5321 a(1)
Currency Transaction Reports	5313 a
Currency transportation reports	5316
Search and Forfeiture	5317 (B)
Civil Penalties (Customs)	5321 a(2)
Criminal penalties/mis.	5322 a
Criminal penalties/fel.	5322 b

FINANCIAL LAW ENFORCEMENT CENTER

MISSION

FLEC is the centralized national clearing house and repository for criminal cash flow intelligence and expertise. It has a departmentally mandated responsibility to receive all information collected pursuant to the (Foreign) Bank Secrecy Act; to analyze it; and, make appropriate dissemination of its findings to the Federal Law Enforcement Community.

Its objective is to examine the financial characteristics of the criminal markets and assist in the development of law enforcement strategy that will exploit the vulnerabilities of criminal organizations' business practices through application of criminal and civil sanctions.

1982

- Continued support of financial Task Forces.
- Began support of El Dorado Task Forces in New York and Los Angeles.
- Increased analytical support staff from 6 to 18 positions.
- Four teams have been organized to support the Presidential Drug Enforcement Task Forces.
- Assisted Treasury by providing information to aid Bank regulatory agencies in their efforts.

STATISTICS

- Produced 199 analytical reports in 1982.
- 23 Federal Agencies have authority to request information directly from TFLEC.

- In support of the Florida Joint Task Group, TFLEC developed 14 target reflecting over \$46,000,000 in activity.
- Since 1978, TFLEC and its forerunners have identified 1,250 suspects entities and 6,705,810,246 in suspect transactions.

Work products produced by TFLEC

1. Requests from other agencies:

- a. name checks
- b. summary printouts of area activity

2. Financial Intelligence Reports - possible targets identified by review of financial reports - these are referred to the field.

3. Analytical Reports - indept analysis of Organizations and groups, also for field use.

B. Total work products

1980 - 205
1981 - 210
1982 - 316

This does not include name checks for Customs and IRS, since they have on line access Via TECS terminals.

C. Name checks for other agencies

1980 - 945
1981 - 919
1982 - 1724

. Financial Intelligence/Analytical Reports

1980 - 108
1981 - 84
1982 - 199

E. Automatic queries of names in the Financial files via TECS terminals.

1980 - 360, 543
1981 - 440, 851
1982 - 579, 508

F. Financial Records in the files

2,411,798 as of March 1, 1983

CTR & CMIR DATA

CTR's (4789) 3 years

<u>Year</u>	<u># CTR's</u>	<u>Total Amount</u>	<u>Average Transaction</u>
1979	81,273	\$ 5,927,231,706	\$72,930
1980	230,726	\$12,311,269,196	\$53,359
1981	350,112	\$17,744,798,935	\$50,683
1982 (1st 3 Qtrs)	282,451	\$13,657,699,483	\$48,354

CMIR's (4790) 5 years

<u>Year</u>	<u># CMIR's</u>	<u>Total Amount</u>	<u>Average Transaction</u>
1977	37,517	\$ 2,349,952,199	\$ 62,637
1978	57,314	\$ 5,160,459,274	\$ 90,038
1979	76,910	\$10,060,524,553	\$130,809
1980	114,300	\$15,344,746,870	\$134,250
1981	144,216	\$24,621,399,364	\$170,726

OBTAINING INFORMATION FROM FOREIGN JURISDICTIONS

- o Letters Rogatory
- o Customs Mutual Assistance Agreements:
 - Currently: Mexico
 - Germany
 - Austria
 - France
 - Preliminary Discussions: Japan
 - Italy
 - Canada

INTENT OF BANK SECRECY ACT

- o Audit trail for income generated from illegal activities OR
- o Violations of U.S. law by failure to comply with reporting provisions of Act.

FEDERAL RESERVE STATISTICS

The Miami Federal Reserve office received 10% less cash in a nine month period in 1982 than in the same period in 1981. The study included the months of March thru November. This was the first significant drop in surplus cash in the Miami office and may be the result of law enforcement effort.

The Jacksonville Federal Reserve office received 8% less cash in the same period in 1982 than in 1981. Again, this was a reverse in a trend of increasing amounts of cash received by the office and may be due to increased enforcement in Florida.

Although it is too early to confirm a movement of drug money away from Florida, other areas have shown increases in cash received by the Federal Reserve. Those areas include Philadelphia, Denver, and Los Angeles.

TABLE 1
FEDERAL RESERVE OFFICES WITH A CASH SURPLUS IN 1962
NINE MONTH COMPARISON: MARCH - NOVEMBER
(\$ IN THOUSANDS)

	<u>81</u>	<u>82</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
PHILADELPHIA	23,551	93,846	70,295	298
CHARLOTTE	32,737	38,241	5,504	16
JACKSONVILLE	842,189	774,319	-67,870	-8
NASHVILLE	246,686	419,714	173,028	70
MIAMI	3,148,035	2,813,967	-334,068	-10
LITTLE ROCK	38,605	62,233	23,628	61
HELENA	20,700	10,881	-9,819	-47
DENVER	-75,890	51,998	127,888	168
SAN ANTONIA	151,368	379,519	228,151	150
SAN FRANCISCO	<u>121,441</u>	<u>66,943</u>	<u>-54,498</u>	<u>-44</u>
TOTAL	4,549,422	4,711,661	162,239	4

TABLE 2
FEDERAL RESERVE OFFICES WITH A NET CASH PAYOUT IN 1962
NINE MONTH COMPARISON: MARCH-NOVEMBER

	<u>81</u>	<u>82</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
BOSTON	909,135	1,019,447	110,312	12
NEW YORK	6,135,643	6,933,562	797,919	13
BUFFALO	343,662	431,389	87,727	25
CLEVELAND	543,792	654,016	110,224	20
CINCINCATI	319,803	390,652	70,849	22
PITTSBURGH	597,313	699,226	101,913	17
RICHMOND	254,210	272,900	18,690	7
BALTIMORE	502,149	639,008	136,859	27
ATLANTA	128,201	200,269	72,068	56
BIRMINGHAM	208,216	229,289	21,073	10
NEW ORLEANS	239,995	200,813	-39,182	-16
CHICAGO	2,140,754	2,471,110	330,356	15
DETROIT	938,376	1,050,789	112,413	11
ST. LOUIS	193,181	249,116	55,935	28
LOUISVILLE	136,855	211,452	74,597	54
MEMPHIS	64,236	87,544	23,308	36
MINNEAPOLIS	121,543	201,623	80,080	65
KANSAS CITY	271,017	338,151	67,134	24

	<u>81</u>	<u>82</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
OKLAHOMA CITY	326,968	334,541	7,573	2
OMAHA	114,911	130,305	15,394	13
DALLAS	371,139	401,981	30,842	8
EL PASO	204,628	7,597	-197,031	-96
HOUSTON	572,346	475,171	97,175	-16
LOS ANGELES	112,001	17,833	-94,168	-84
PORTLAND	106,109	122,824	16,715	15
SALT LAKE	-13,760	29,439	43,199	313
SEATTLE	<u>394,990</u>	<u>494,547</u>	<u>99,557</u>	<u>25</u>
TOTAL	16,237,413	18,294,594	2,057,181	13
NET PAYOUTS				
MINUS NET SURPLUS	11,687,991	13,582,983	1,894,992	16

TABLE 3
FEDERAL RESERVE OFFICES IN MIAMI AND JACKSONVILLE
THREE MONTH COMPARISON: SEPTEMBER - NOVEMBER
(\$ IN THOUSANDS)

	<u>81</u>	<u>82</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
MIAMI	813,985	953,747	139,762	17
JACKSONVILLE	161,39	139,856	-21,534	-13

TASK FORCES

There are 22 multiagency task forces in operation (independently of EL DORADO or Presidential Drug Enforcement Task Forces) with 37 Customs agents assigned.

A. GREENBACK (Miami, Florida)

In January 1980, a multiagency task force was initiated in Miami, Florida. This task force, OPERATION GREENBACK, is composed of special agents from the U.S. Customs Service and the Internal Revenue Service, and is supported by prosecutors from the U.S. Attorney's office. The task force was established in response to the tidal wave of drugs entering the United States through South Florida, and the unusually high amounts of currency being handled in Florida financial institutions. The objectives of OPERATION GREENBACK were to: (1) identify the unusually high flows of currency; (2) frustrate organized crimes' use of legitimate financial channels to launder money; (3) destroy the financial base and infrastructure of criminal enterprises; and (4) return the area to normal economic stability.

1. Established January 1980
2. Composition: Customs-IRS-USA Office
3. Purpose:
 - o Identify high flows of currency
 - o Frustrate organized crimes' use of financial cannels to launder narcotics money
 - o Destroy financial base and infrastructure of criminal groups
 - o Return area to normal economic stability

4. Statistics:

- o 147 indictments representing 38 criminal organizations
- o 103 arrests (36 convictions to date)
- o \$34.1 million currency seized
- o \$3 million property seized
- o \$33 million - Title 31 civil penalties assessed (\$59 million - pending issuance)
- o \$1.6 million in bond forfeitures
- o \$112.5 million in jeopardy tax assessments
- o 106 pounds of cocaine seized
- o 12 tons of marijuana seized
- o Cash flow (surplus) indicators in Florida are leveling off suggesting success in our efforts. Possible shift to Philadelphia and Los Angeles/San Francisco

B. EL DORADO TASK FORCES (New York and Los Angeles)

On May 1, 1982, EL DORADO financial task forces which are modeled after the GREENBACK task force, became operational in New York and Los Angeles. EL DORADO is a coordinated financial investigative effort targeting the cash flow of major narcotic trafficking and other organized criminal activity.

1. Established May 1982
2. Multiagency task force
3. New York and Los Angeles
4. Targeting narcotic traffickers and organized crime
5. Statistics
 - o 44 arrests.
 - o 56 indictments
 - o 87 pounds of cocaine seized
 - o 18 convictions
 - o \$4,026,311 in currency and/or bank accounts seized.

6. PROPOSED LEGISLATION

LEGISLATIVE PROPOSALS

BANK SECRECY ACT

1. Reporting requirements increased from \$5,000 to \$10,000 on entry or departure.
2. Outbound border search authority clarified for currency and monetary instruments.
3. Makes it a criminal offense to "attempt" to export currency or monetary instruments without reporting.
4. Provide rewards for information resulting in currency or monetary instrument seizure.
5. Expand arrest powers to include any Federal offense committed in presence as well as outside presence if probable cause exists (Peace Officer status).
6. First Offense - Misdemeanor; Second Offense - Felony.
7. Makes any violation of the export or currency laws a predicate offense for receiving authority to use electronic interception (wiretap).
8. Expand administrative summons and subpoena power.



JUN 24 1983

THE COMMISSIONER OF CUSTOMS
1983 JUN 23 7 11 AM '83

WASHINGTON, D.C.

JUN 22 1983

INV 2-10 E:1:F

Dear Senator Thurmond:

Thank you for having given me the opportunity to testify before the Committee on the Judiciary.

Enclosed are the answers to the written questions you and Jeremiah Denton requested we provide the committee. If there is anything else that either my staff or I can provide, please let me know.

Yours faithfully,

How does the Customs Service, primarily the Treasury Financial Law Enforcement Center (TFLEC), support Federal agencies in financial investigations, and how many personnel are assigned to this operation?

ANSWER: At the present time, Customs is in the position to assist any Federal agency with financial data in reference to the three financial data systems. In 1982, the Treasury Financial Law Enforcement Center (TFLEC) disseminated, on a routine basis, \$1.8 billion worth of financial activities to the Internal Revenue Service (IRS), the Drug Enforcement Administration (DEA), and other Federal agencies. In addition, we have furnished to Federal agencies specially requested data that exceeded \$14 billion in financial activities. IRS has complete access to computer-generated CTR and CMIR data at Customs Headquarters plus access to on-line CTR data at all service centers.

Intelligence analysts assigned to TFLEC produced 87 in-depth analyses during FY 82 in which they identified 437 individuals and 152 businesses conducting approximately \$713 million in questionable transactions at U.S. banks and transporting approximately \$51 million in or out of the United States. IRS was provided with all of the above reports in addition to a major study identifying 17 individuals and 4 businesses conducting over \$4 million in financial activities.

Customs provides analytical support to Operation GREENBACK (a joint Customs/IRS financial task force in Miami) not only with the initial targets for investigations but also with on-site analytical support.

At present the Financial Investigations Division is preparing a Financial Investigations Education Seminar for presentation to multiagency task forces in the field, including those elements involved in financial investigations in the new Presidential Drug Enforcement Task Forces. This educational seminar will include training in various aspects of financial investigations and financial intelligence gathering, to include obtaining information from offshore banking centers.

At the present time, there are 18 intelligence research specialists assigned to TFLEC.

What are the Customs Service's plans for expanding TFLEC in view of the anticipated requirements of the new Presidential Drug Enforcement Task Force?

ANSWER: USCS, Office of Investigations, has designated financial investigations as a national priority. As a result, we are committed to providing complete TFLEC and special agent support to the new Task Forces. At the same time we must provide adequate support to our other ongoing programs.

In order to ensure that our needs are met, I have provided instructions to the Financial Investigations Division, to the effect that TFLEC must be substantially expanded. As a result, the number of intelligence research specialists assigned to TFLEC will be almost tripled from 18 to over 50. These analysts will be organized into teams with responsibilities for specific programs and task force areas.

In addition, it is anticipated that IRS will increase the number of their people assigned to TFLEC from 1 special agent, to 1 special agent and 5 intelligence analysts.

Based on our immediate projections of the level of support which will be initially required by the task force, we feel that we will be able to provide adequate coverage with this number of personnel. These numbers may, of course, be adjusted if necessary.

Will this expansion restrict the Customs Service's ability to support other Financial Investigative efforts?

ANSWER: No, the expansion is the result of input from the field, and discussions with the Treasury Department and Justice Department. For the present these allocations appear adequate to support both the Presidential Drug Enforcement Task Forces and our other financial investigative efforts, however, should the success of the Presidential Drug Enforcement Task Force program or our financial investigative programs exceed expectation it will require increased resource allocations.

4. How will the Customs Service support the Presidential Drug Enforcement Task Force program, and will Customs Service personnel be assigned to offices in all of the core cities?

ANSWER: The USCS, Office of Investigations, will be dedicating 200 positions to support the Presidential Drug Enforcement Task Force Program. These positions, composed of criminal investigators, intelligence research specialists, and investigative assistants, will be located at selected sites throughout the United States as well as at the Treasury Financial Law Enforcement Center. Customs personnel will be assigned as task force members in all 12 core cities, and 15 additional non-core cities.

U.S. Customs unique position of protecting our country's borders as well as being a repository of financial intelligence places us in the role of being an important element in combining our resources and skills with those of other involved Drug Task Force Agencies. With this in mind we will dedicate all necessary resources to support the Presidential Drug Enforcement Task Forces.

5. Is the Customs Service experiencing any success in obtaining bank or other financial information from offshore banking centers?

ANSWER: In addition to working formally with law enforcement and Government agencies in foreign countries through such mediums as our Customs-to-Customs Mutual Assistance Agreements, our special agents, Attaches and Customs Representatives also maintain extensive liaison with their counterparts. Both methods of contact have had some success in obtaining financial and/or banking information from various countries.

For example, in a very recent case involving violations of the Foreign Corrupt Practices Act involving approximately \$9.9 million in bribes paid to officials of a Mexican company, cooperation between Mexicans and American Customs officials was excellent. This cooperation resulted not only in legal action in both countries, but also the provision of banking information to U.S. Customs Service under the Mutual Assistance Agreement.

In addition, we have recently been successful in sharing information and investigative expertise with various other countries in the Caribbean and in Europe, and we are currently involved in legislative procedures to obtain bank information from the Cayman Islands.

This area of obtaining offshore banking information in cases involving narcotics trafficking and organized white collar criminal organizations, is of prime concern to Customs, as it obviously is to other involved agencies. We feel that cooperative concerted efforts by the Federal agencies involved can go a long way to improving the present situation, and will eventually result in an increased flow of information. However, sharing of information is a two-way street. Unless the United States can provide information to other countries' law enforcement officials engaged in bonafide criminal investigations, how can we in all fairness expect them to provide intelligence and assistance to us? That is why reciprocal agreements are necessary, and why dissemination of other than Bank Secrecy Act information needs to be improved.

6. Does the Customs Service have any estimate of how much money is entering or leaving the United States, or what percentage of the money flow activity is controlled by Foreign companies or organizations?

ANSWER: The United States Government does not place any restrictions on money flowing in and out of the country other than it requires cash and negotiable instruments to be reported.

During FY 82, \$21 billion was reported by individuals entering or exiting the United States. During the same time period, Customs seized over \$33 million from individuals for failure to file the proper reports.

During the past 3 years, Customs has made several significant seizures in which two were at the \$3 million-level, two at the \$1.5 million-level, and several at the hundreds of thousands of dollars-levels. Both of the \$3 million-level seizures were not only alerted on by narcotics dogs, but also were found to have come from drug source countries. The two \$1.5 million seizures were leaving the country without the proper forms being filed and individuals connected with those two seizures were either directly or indirectly connected with narcotics or narcotic traffickers.

The Drug Enforcement Administration estimates that narcotics activity in the United States is an upward of \$40 billion business. This is a cash business.

Based on an analysis by TFLEC of currency transactions reported in 1981, we have identified what I feel is a starting statistic. Of all reported currency transactions in the United States involving amounts of \$10,000 or more, 51 percent involved individuals or companies with addresses in foreign countries. In fact, we were able to identify deposits of over \$427 million being made by individuals and companies from Columbia and Peru alone.

7. Do you have evidence of illegally obtained funds either entering or leaving the United States?

ANSWER: A study of CTR activity in the United States in 1981 accounted for a total of \$18.1 billion in currency transactions reported throughout the country. CMIR activity for the same period of time into and out of the United States was \$24 billion. Obviously, this reported flow totaling \$42.1 billion is not all drug money. But even if it was all drug money, what has happened to the rest of the generated currency? There can only be a few answers: either it is leaving the United States without being reported or it is being moved illicitly through existing financial channels, or a combination of both.

Another point of interest in the Treasury Financial Law Enforcement Center (TFLEC) studies for 1981 is that individuals and companies with addresses in foreign countries conducted over 50 percent of the total dollar amount of currency transactions reported countrywide, primarily in Florida, California and New York. Individuals and companies who indicated addresses in just two drug source countries (Columbia and Peru) deposited over \$427 million in cash in 1981. Another \$428 million was deposited by companies and persons having addresses in four offshore banking countries (Cayman Islands, Panama, Bahamas, and British Virgin Islands). These figures are an indication of the tremendous amounts of currency which are controlled and transacted in the United States by non-U.S. entities. How much of these funds are obtained by narcotics and other organized criminal activity? This can be determined only by investigation of those targets provided by the intelligence analysts, and by cooperation with and by law enforcement officials in the concerned foreign countries.

8. What is your estimate of the amount of funds illegally laundered in recent years?

ANSWER: Any estimate on my part concerning the amount of illegal funds laundered in recent years would be purely guesswork, and would most certainly make you incredulous. It would definitely be in the multibillions-of-dollars based on what we have identified to date either through investigations of particular cases and/or analysis of particular organizations.

For example, over the past 4 years, TFLEC has produced over 260 reports which have identified \$6.7 billion in questionable transactions. There is no way of telling how many billions of dollars have not been identified or have not been reported.

As far as individual cases are concerned, there have been numerous investigations over the past 3 years which have identified over \$1.2 billion being laundered. Some of these cases are currently under investigation or are in the process of judicial action which prevents us from mentioning names.

The amounts involved are staggering. Is it any wonder that law enforcement personnel regard organized crime and narcotics trafficking as big business, and why we at Customs consider financial investigations as a national priority?

- Significant Cases:

- o In New York, a Colombian organization laundered approximately \$160 million over a 3-year period.
- o A West Coast case involved over \$25 million laundered in 1 year.
- o Several OPERATION GREENBACK (Miami) cases:
 - The SONAL investigation involved over \$360 million laundered over an 18-month period. That averages \$20 million a month.
 - Another currency exchange investigation involved \$195 million laundered over a 4-year period.
 - Other significant currency exchanges laundered
 - \$100 million in 2 years
 - \$ 59 million in 2 years
 - \$140 million in 3 years
 - \$100 million in 2 years

9. What direction do you see Financial Investigations, specifically Customs' involvement in Financial Investigations, taking in the future?

ANSWER: As I have said previously, Customs is dedicated to financial investigations as a national priority. I anticipate the continued proliferation of multiagency task forces concentrating on locating, identifying and seizing the assets of major criminal organizations engaged in narcotics trafficking, money laundering, and white-collar crime. The successes of our EL DORADO and GREENBACK operations indicate that the multiagency task force is the most effective means to date to combat large criminal organizations and their assets.

The major thrust of our financial investigative activities will continue to be primarily concerned with the proceeds of criminal activity, rather than with the product itself. Our main concern will remain the financial destruction of criminal enterprises through focusing our effort upon their resources.

The TFLEC will continue to be the source of analytical support and financial intelligence to our field offices, task forces, and other national and international agencies, and will continue to provide quality targets for investigators. In addition, the Financial Investigations Division at Customs Headquarters will provide Bank Secrecy Act expertise, devise financial investigations programs, implement strategy, and monitor task force activity.

With the increased activities in offshore banking facilities which provide mechanisms for laundering illicitly obtained funds, the task of investigating and obtaining information from foreign sources will be made more difficult. As a result we will be required to develop more sophisticated techniques and increased international cooperation.

10. Should this type of Investigation have priority status?

ANSWERS: It is the feeling of both the United States Customs Service and the Treasury Department that financial investigations are a key element in investigating criminal conspiratorial crime. It is an area too long neglected by most federal investigative agencies.

It is organized crimes' accumulation of money, not the individual transactions by which money is accumulated, that has a great and threatening impact on America. A quarter in a jukebox means nothing, and results in nothing. But millions of quarters in thousands of jukeboxes can provide both a strong motive for murder and the means to commit murder with impunity. Organized crime often exists by the virtue of the power it purchases with money. The millions of dollars it can invest in narcotics gives it power over the quality of life in whole neighborhoods. The millions of dollars it can throw into the legitimate economic system gives it power to manipulate the price of real estate in a city, shares in the stock market, raise or lower the price of retail merchandise, determine whether entire industries are union or non-union or make it easier or harder for businessmen to continue in business.

The purpose of organized crime is not competition with visible, legal Government but the nullification of it. When organized crime places an official in public office, it nullifies the political process. When it bribes a police official, it nullifies law enforcement.

Investigations conducted by most federal agencies gather information with prosecutions as the immediate objective. Prosecutions based merely upon individual violations may result in someone's incarceration, but as long as the assets and the financial base are left intact. The organization will simply place someone else in the vacated position and its "business as usual".

In view of these facts, I have designated financial investigation into the flow and laundering of illicitly obtained funds as a Customs national priority. I sincerely feel that attacking the criminal organizations through application of various investigative and analytical techniques directed towards disrupting their financial activities is having a significant and important detrimental effect on those organizations.

11. What additional jurisdiction or authority do you feel is necessary to enhance Customs abilities to enforce the provisions of the bank secrecy act and other related laws that deal with the illegal trafficking in currency?

ANSWER: There are a number of statute/legislative changes Customs would recommend, which would improve our ability to investigate drug-related financial transactions:

- 1 - Border search authority, both inbound and outbound for currency and monetary instruments.
- 2 - Make it a criminal offense to "attempt" to violate those provisions of Title 31 (Bank Secrecy Act) regarding the import and export of currency or monetary instruments without reporting.
- 3 - Provide adequate rewards for information resulting in seizure of currency or monetary instruments.
- 4 - Expand arrest powers to include any Federal offense committed in the presence as well as outside presence if probable cause exists (peace officer status).
- 5 - Make any violation of Title 31 (Bank Secrecy Laws) a predicate offense for receiving authority to use electronic intercept (wiretaps).
- 6 - Expand administrative summons and subpoena power.

Questions for Bonni Tischler

1. What is the reason these criminals (referring to Walker Case) resort to offshore banks rather than domestic financial institutions?

ANSWER: Robert Walker did not want any "paper trails" which would be generated by the large sums of narcotics money he was handling. Walker would be unable to explain how his companies and other fronts could generate such large amounts of currency. There was also the fact that the Internal Revenue Service would assess an enormous tax liability.

Offshore banks such as those located in the Caymen Islands, Bahamas, Turks and Caicos and Panama accept large deposits of currency and protect the identity of the depositor under their banking laws.

Questions for Bonni Tischler

2. What criminal organizations did Robert Walker deal with, and what was the nature of his business with those organizations?

ANSWERS: Robert Walker had LCN Organized Crime contacts in Tampa, Miami, Atlanta, Denver and Chicago. It was to these LCN organizations that he sold the narcotics (marijuana and cocaine). Walker dealt with Colombian narcotics groups from Barranguilla and Cartagena Colombia.

It is interesting to note that the narcotics suppliers were all Colombians, Walker's own organization which did the smuggling, were all anglos. The purchasers of the narcotics were mostly LCN figures.

ORGANIZED CRIME IN AMERICA—Part 2

MONDAY, JULY 11, 1983

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
New York, N.Y.

The committee met, pursuant to notice, in the Appellate Court Room, U.S. Court of International Trade, New York, N.Y., commencing at 10:20 a.m., Hon. Strom Thurmond (chairman of the committee) presiding.

Also present: Senator Joseph R. Biden, Jr.

Staff present: Duke Short, chief investigator; Bill Christensen, senior investigator; and Robert M. Reilley, investigator.

OPENING STATEMENT OF CHAIRMAN STROM THURMOND

The CHAIRMAN. This morning the Senate Judiciary Committee continues its series of hearings focusing on organized crime in America. Today is significant in that it marks the first field hearing this committee has held on this subject since we began these hearings in January of this year. Through the testimony of the various witnesses who have appeared before the committee, we have learned that organized crime is more than just the La Cosa Nostra. Organized crime also feeds upon our society in the form of outlaw motorcycle gangs and a variety of emerging ethnic organized criminal groups.

The testimony today will concentrate on the pervasive negative impact these traditional as well as nontraditional organized criminal groups have had on New York City and the entire United States. We will also learn of the inroads of the New York City Police Department has made in its efforts to combat the further expansion of organized crime in this great city.

We will be provided with an update on the current status of the five traditional New York City organized crime families including the identities of their known members. The committee will be given an inside look at the methods utilized by these groups to obtain illicit funds through such illegal acts as extortion, labor racketeering, and the infiltration of legitimate business.

Testimony will be furnished to the committee which will identify a variety of emerging nontraditional organized criminal groups which have entrenched themselves in the New York City area. Each of these groups present a unique problem for law enforcement and pose as great a threat to the American public as the La Cosa Nostra.

I look forward to hearing the testimony of all the witnesses appearing before the committee today.

The committee is very pleased to have Senator D'Amato, the splendid and able Senator from New York participating in these hearings today.

The committee appreciates Senator D'Amato's support and cooperation in the hearing process and we are grateful for his appearance here today.

Senator D'Amato is a capable and dedicated Senator. He has also become an expert in criminal matters.

In the Senate he is chairman of the Subcommittee on Legislative Appropriations, chairman of the Securities Subcommittee on the Banking Committee, chairman of the Small Business Subcommittee on Rural and Urban Economic Development.

We appreciate his presence and after he testifies, we will invite him then to come and join us here in this hearing at this table.

We welcome you and you may now proceed.

**STATEMENT OF HON. ALFONSE M. D'AMATO, A U.S. SENATOR
FROM THE STATE OF NEW YORK**

Senator D'AMATO. Thank you very much, and, indeed, it is I who am privileged to be here.

I take great personal pleasure in welcoming you here to New York for this most important and timely hearing on organized crime.

I commend you for your strong leadership as chairman of the Senate Judiciary Committee in the war against organized crime in America.

It is a difficult war, certainly not easily won, but one which must be fought.

Organized crime must be crushed. Its continued existence in modern America is disgraceful.

Contrary to the Hollywood image of a kind of Robin Hood band stealing from the rich to give to the poor, organized crime—traditional as well as the newly emerging gangs—victimizes and steals from the poorest and most disadvantaged in our society to give to themselves.

They reap billions from death and human degradation. Drug trafficking, particularly heroin, loan sharking, extortion, labor racketeering, and bribery, are only some of the evils organized crime perpetuates.

The Federal Government must, once and for all, end organized crime in the United States. These organizations are national and international in scope. They cannot be adequately dealt with solely by State and local law enforcement. The destruction of traditional organized crime and expanded efforts against the newly emerging organized crime groups should be the goal of Federal law enforcement.

Nowhere is that more true than in New York. No place in America suffers more from organized crime than New York. Whereas most other major cities must deal with only one traditional organized crime family, New York has five, and it also has its share of other more recent groups: the motorcycle gangs, the various prison gangs now organized nationally, and the cocaine trafficking organizations from Colombia and South America.

The Federal Bureau of Investigation, the Drug Enforcement Administration, the U.S. attorneys and the organized crime strike forces have made impressive strides against organized crime in New York and nationwide.

Indeed, their efforts give hope us that we are now poised to deal a death blow to this form of crime.

But all of that success and momentum will be lost if we do not recognize two crucial facts and take appropriate action: First, law enforcement must not sit back and rest on what has been done. Traditional organized crime is on the run. Many are convicted, indicted, and under active investigation. Now is the time to redouble the effort.

I am hopeful that within this generation we can crush them. There could be no greater public service rendered.

Two, we must deal with the new groups that are emerging. Motorcycle gangs, prison gangs, national and international dealers in drugs are just a few of these groups.

They are structured like traditional organized crime families, and they are expanding. As the size and influence of traditional organized crime diminishes by imprisonment, death, natural and otherwise, and demographics, these new groups are ready, willing and able to move in and take over any areas that are abandoned.

A vacuum is being created and these new groups are poised to fill it. In fact, they are already doing so.

Federal law enforcement must be ready for this new challenge and the effort must begin now. We cannot wait two generations for the Federal Government to first recognize and acknowledge the existence of these new forms of organized crime.

These new groups exists; they are dangerous and Federal law enforcement must make investigations of these groups a major priority.

In order to accomplish these objectives—crushing traditional organized crime and putting more emphasis on the emerging groups—I am urging an eight-point program for New York and the Nation.

One, crush organized crimes heroin trafficking.

Heroin should be the major priority of Federal law enforcement agencies in New York and throughout our Nation. Everything else should take second place to incapacitating the organized trade in heroin.

The U.S. attorneys in this State, the FBI, DEA, the New York City Police Department, and all involved in this effort must make this their No. 1 goal.

Two, increase the Federal law enforcement resources: agents, prosecutors, judges, and prisons—particularly in New York. Last year, the massive influx of agents—over 800—in south Florida was needed to reduce the emergency levels of cocaine and marihuana moving into the United States through Miami.

At that time, the DEA estimated that over half of the cocaine and marijuana was entering through south Florida.

Easily, that same percentage of heroin is entering the United States today right here, here in New York.

A major increase in the law enforcement resources in New York would benefit not only New York, but also the whole Nation. The organized crime figures here victimize the entire country.

The number of Federal agents and prosecutors should be increased substantially and targeted against organized crime heroin traffic. As in Florida, they should remain until they turn the problem around.

Three, eliminate parole for heroin dealers.

I support elimination of parole and fixed sentences for all Federal offenders, but that applies with the greatest force to heroin dealers.

Some major heroin dealers who have received long sentences are released after serving only one-third of their sentence.

This is scandalous. A major heroin dealer when convicted should never be paroled.

I urge the Parole Commission to change its guidelines to eliminate parole for heroin dealers, and I will continue to push in the Congress for complete elimination of parole, particularly as it relates to drug traffickers.

Four, provide for appellate review of sentences so that the Government can appeal lenient sentences.

Too often organized crime criminals are not given the sentences necessary to incapacitate them and their organizations.

Even worse, in a few scandalous cases, prison sentences have been delayed and trials adjourned indefinitely because of claims of poor health accepted by the judge.

The Government should have the ability to appeal these decisions.

Five, hold organized criminals on no bail where appropriate.

Prosecutors, magistrates, and judges should utilize all lawful procedures, including hearings, on the source of bail, to assure that organized criminals do not become fugitives.

Also, I will continue to press for passage of bail reform legislation to permit a judge to imprison arrested persons where money would not reasonably assure their attendance at trial.

As an aside, we have more fugitives who have jumped bail—primarily in drug trafficking cases—3,000 fugitives and only 2,000 drug enforcement agents.

That, I think, demonstrates quite vividly the necessity for reform of our bail laws.

Six, imprison organized criminals once convicted. Certainly they should not be on bail pending appeal except for extraordinary reasons.

Seven, expand dramatically efforts against the newly emerging groups of organized crimes.

The FBI, DEA, U.S. attorneys and others must include these groups in their strike force and task force efforts. In the long run, we need more law enforcement resources in New York and throughout the Nation if we are to win this war.

I recognize that in this day and age of necessary fiscal restraint, more resources are not easily available, but they must be made available.

After all, the protection of the public against crime is as important a purpose of Government as national defense.

Eight, free up scarce resources in the Department of Justice for the attack on organized crime by assigning civil litigation—especially debt collection actions—to private outside law firms.

This will allow the Department to focus its limited resources on criminal investigations.

I think that it's an absolute necessity—it makes no sense to use scarcely needed resources to pursue debt collection when we have such an incredible problem in the area of criminal law enforcement.

The work of this committee, Mr. Chairman, and your efforts to develop the Crime Control Act of 1983 and your other efforts have been invaluable in focusing public attention and bringing to all the Members of Congress the seriousness of the problem we are dealing with.

As an aside, let me say that in spite of all local, State or Federal efforts to combat the international drug traffic, they can only succeed if we have a broad program of international cooperation. This is especially important today because—some of the biggest opium-producing nations—Afghanistan and Iran, for example, are politically outside of the U.S. control.

Such cooperation, striking at the big international traffickers, exists already, but must be encouraged.

Praiseworthy was the help that the U.S. Drug Enforcement Agency gave to the Stations, who succeed in obtaining convictions at a major organized crime trial in Palermo.

There, three U.S. Drug Enforcement Administration agents testified.

Such cooperation is necessary throughout the world, if we are going to be successful.

Mr. Chairman, again, let me congratulate you and the committee for moving legislation that I am sure will be adopted that will play a major role in our fight against organized crime.

Thank you.

The CHAIRMAN. Senator D'Amato, we wish to thank you for appearing here and presenting such an excellent statement.

It will be invaluable to the committee.

We now invite you to join us up here, if you care to do so.

Senator Biden of Delaware, a ranking member of the Judiciary Committee, has come in and we will be pleased to hear him in the event that he has any opening remarks to make.

OPENING STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

Senator BIDEN. Mr. Chairman, I am glad to join you again in continuing these important hearings on organized crime. I believe the testimony we will hear today will further build a record for the direction this committee should undertake in improving the fight against organized crime.

Understanding the concerns and opinions of those working on a day-to-day basis in the battle against organized crime will prove invaluable as we seek new crime fighting tools and resources for Federal, State, and local criminal justice agencies.

I welcome the members of the New York Police Department and look forward to their testimony. The knowledge, experience, and

dedication they possess is a credit to the professionalism of the New York City Police Department and their testimony will help us to understand the current status of organized crime in New York.

I have not yet had a chance to review all of the detailed document that the police department prepared, but let me say it reflects years of investigation and analysis of intelligence data. I believe this document should be available to every police chief in the mid-Atlantic region. This text provides more up-to-date information on the structure and status of traditional and emerging organized crime groups in the New York City region than anything I've seen produced, either publicly or in closed session by any of the Federal agencies working on organized crime.

I'd also like to welcome Sterling Johnson, special narcotics prosecutor for New York City whose reputation is recognized nationally for his work in prosecuting narcotics cases. As Mr. Johnson has stated in the past, "narcotics trafficking is to organized crime as gasoline is to an automobile." DEA's estimates that organized crime families in New York are now importing 80 percent of the heroin entering the United States, estimated at 4.4 metric tons a year, to feed the habits of more than half a million addicts.

I look forward to Sterling's testimony which based on his years on experience as first a NYPD cop, several years with DEA and now the chief narcotics prosecutor for New York City he will provide the committee with first hand knowledge of what is needed at the local level to make some inroads against organized drug traffickers.

I also welcome the familiar face of Rudolph Giuliani who now may be wondering why he ever left Washington, with the problems he now must face as the U.S. attorney for the southern district of New York. We have disagreed in the past on some specific issues, but I have never questioned Mr. Giuliani's sincere and dedicated commitment to fighting organized crime and drug traffickers. Mr. Giuliani has demonstrated that commitment by jumping back to the front lines, so to speak, as the new U.S. attorney for the southern district. I will be most interested in his comments about how he views some of the policies and programs he helped implement in Washington, now that he is on the receiving end and trying to carry out those policies as a U.S. attorney.

As you are aware, heroin related deaths in New York City began escalating in 1979 when they jumped from 246 in 1978 to 472 in 1979, to an average of 520 in 1980 and 1981, and slightly higher in 1982.

Hospitals reported overdose episodes increased 92 percent in 1979 over 1978, and in 1981 by 8 percent over 1980. During 1982 these episodes increased by 33 percent over 1981 and continued to increase that rate into 1983. Serum hepatitis frequently contracted in the first year of heroin use increased from 487 cases in 1979 to 577 in 1980, 887 in 1981, and 1,117 in 1982—a 26 percent jump in 1 year. The number of cases in the last quarter of 1982—359—is the highest recorded for a quarter since this statistic began being kept in 1977.

From 1979 through 1981, the crimes in New York City associated with heroin addiction dramatically increased, robberies by 30 percent, and burglaries by 16 percent. Nearly one quarter of 393

slayings out of 1,832 homicides in New York City in 1981 were drug related. A total of 160 dealers were killed in robberies and the remaining 233 slayings resulted from disputes involving drugs.

Between January 1978 and October 1982, the retail price of heroin either actually decreased or remained the same while the average street purity increased by 58 percent.

The problems that you face here in New York are clearly large. But, not only do the organized crime activities you work on affect the citizens of New York City but many citizens throughout the Northeast. Heroin that enters this city through organized criminal operations can be found up and down the Northeast corridor. A commitment to impact the problem here will provide benefits to places like Philadelphia, Wilmington, and Baltimore as well.

The fact is you guys are going to be fighting a losing battle unless the Federal Government gets its act together, particularly in the organized trafficking of drugs.

The international aspects of this problem go far beyond your jurisdiction and the Federal Government has not made the kind of commitment I believe is necessary to deal with the source countries where heroin and cocaine are being grown and manufactured. We must be willing to cut-off foreign aid to these countries that aren't doing their part to control cultivation and manufacture of drugs. That is a provision that Senator Moynihan and I offered to the foreign assistance authorization bill this year.

The other area we need to work on is coordination. I'm sure you could give us examples of lack of coordination between yourselves and Federal agencies. Although, I understand agencies have been working pretty well together in New York. But, I'm really concerned about the lack of coordination just between Federal agencies. Examples of in fighting between DEA, Customs, FBI, IRS, and Coast Guard have been documented in the past. Most recently the General Accounting Office released a report that said we need better central management of our drug effort.

What we need is one clearly visible cabinet level official who is in charge. That person will task agencies, set policy and have the direct ear and confidence of the President. That person will demonstrate to skeptic foreign nations that America is prepared to do something about organized drug trafficking enterprises.

Let me compliment Senator D'Amato on a very good statement.

As I know he knows, many of his proposals are encompassed in the Thurmond-Biden crime bill and I think we should move rapidly on many of them, including the last question about international effort.

Senator D'Amato is modest. He did not point out that he already cosponsors a bill along with Senator Moynihan, myself, and others which would cut off aid to those countries that do not cooperate in our efforts against international drug trafficking.

And, one other thing, the sentencing and bail bills which you and I, Mr. Chairman, have cosponsored and are trying to get through the House, will go a long way along the lines the Senator is suggesting.

I am inviting him, if he hasn't already, to look at them closely. We welcome his cosponsorship of those.

The last point I would like to make before we hear from the guys on the frontline—I don't know how the heck they do their job.

The reason I say that is, the last point raised, and the thrust of my entire statement is that organized crime in large part lives off the profits of international drug trafficking and I don't know how we can expect the New York Police Department or Philadelphia Police Department or Los Angeles Police Department or any other major police department to do much more than slow slightly the heroin and cocaine and drug trafficking in general unless we are able to do something in the source countries.

I would refer the committee to my full statement and conclude by restating the international cabinet level drug coordinator, someone with the authority to make sure that everybody, in fact, knows who is the boss.

I like knowing who the boss is because I would like to know who to crucify when things don't go well and know who to praise when they are working.

Toward that end, I am going to be asking the colleagues in the New York Police Department and also other witnesses to speak to the question of what kind of help they need beyond what their municipality can provide for them.

As I said, I thank the chairman, and I thank Senator D'Amato for what I think is a very, very insightful statement and looking forward to hearing from the guys who, in fact, have to do the job while we talk.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator D'Amato.

Senator BIDEN. We have been working together for 11 years.

The CHAIRMAN. Excuse me, Senator Biden.

Senator BIDEN. That's OK

The CHAIRMAN. Our next witness is Deputy Chief Emil A. Ciccotelli of the New York City Police Department Organized Crime Control Bureau.

Deputy Chief Ciccotelli has been with the New York City Police Department for 29 years rising from the rank of patrol officer.

He has held a variety of uniformed patrol assignments.

He was an inspector in charge of the public morals division for approximately 3 years and has served in his current capacity for a year and a half.

He has been cited for exemplary service by the police department on four occasions.

Most recently, to his credit, he witnessed the swearing in of his son, James, to the ranks of the New York City Police Department.

We hope this young man will make a record equal to his father.

Deputy Chief Ciccotelli, I welcome your testimony and ask you if you would please introduce to the committee the other witnesses appearing with you today and you may proceed.

Mr. CICCOTELLI. Thank you, sir.

The CHAIRMAN. If all of you will stand up, we will swear you in. [The witnesses were duly sworn by the chairman.]

TESTIMONY OF EMIL A. CICCOTELLI, DEPUTY CHIEF, ORGANIZED CRIME CONTROL BUREAU, NEW YORK CITY POLICE DEPARTMENT, ACCOMPANIED BY JOSEPH LAMENDOLA, DETECTIVE; PAUL MURPHY, LIEUTENANT; JACK FERGUSON, LIEUTENANT; DENNIS RYAN, INSPECTOR; JOSEPH COFFEY, ORGANIZED CRIME TASK FORCE; AND JOE KELLY, SUPERVISING AGENT, ALCOHOL, TOBACCO, AND FIREARMS UNIT

Mr. CICCOTELLI. Thank you, Senator.

As you know, before I present my statement, organized crime in New York City is not a simple subject to cover and we don't have any one real organized crime expert, so I kind of gathered around me the people that have advised me in running the bureau and as the occasion arises, as I need any of their expertise, I would like to defer to any one of them.

You will hear from Detective Lamendola, an undercover officer used in a major case.

Next to him is Supervising Agent Joe Kelly in the alcohol, tobacco, and firearms unit also in that case.

On my immediate left is L. Paul Murphy. He has been a police officer for some 20 years and since 1971 assigned to the organized crime section of our intelligence division.

On my right is Jack Ferguson, lieutenant in the police department assigned to the organized crime control bureau's investigative analysis section. He has been with the New York City Police Department for 20 years.

Inspector Dennis Ryan, commanding officer of the New York City Narcotics Division located in the organized crime control bureau and Joe Coffey is assigned to the organized crime task force.

These are the gentlemen who know the most about the topic.

Gentlemen, I have followed newspaper accounts of these hearings and watched other testimony with great interest.

It is my belief that if there is any hope of mounting an effective offensive against organized crime it must be the result of a program that is well coordinated at all levels of government and includes the energies and resources of all enforcement and regulatory agencies.

There must be a free sharing of information in order to insure an awareness, by all concerned, of the current scope and mode of illegal operations and violators.

But, first of all, we must define "organized crime." It is true that sometimes the formulation of definitions lead to more confusion than clarification.

Therefore, for the sake of keeping enforcement efforts on target, it is suggested that organized crime be defined as "a continuing enterprise which establishes, maintains and advances itself through the use of corruption or coercion, including both legal and illegal activities."

Within this context, attention is not only directed toward the traditional La Cosa Nostra style or organized crime, but it also takes into account those violators whose illegal activities clearly demand that they come under the scrutiny of enforcement agencies. They are many and diverse. Some newly emerging and others with a

long history but seldom truly considered in discussion of organized crime. The Cubans, Colombians, Chinese, blacks, Rastafarians, Irish, and motorcycle gangs, and some whose orientation fits none of the aforementioned groupings, but whose activity clearly demands the attention of the enforcement and prosecutorial segments of government.

My remarks will briefly touch upon each of these groups and the manner in which their activity is evidenced in New York City.

First, the traditional five New York families of La Cosa Nostra.

While firm documentation of its membership is obviously impossible, it is believed that the total membership of all of the 5 families in the New York City area is approximately 900 made members.

Additionally, the criminal and noncriminal associates are believed to number in the thousands.

There has been much written about their early organization, conflict, resolution of that conflict, and the ultimate division of the territory of the city of New York among the five families.

The CHAIRMAN. Excuse me. I will interrupt you.

Mr. CICCOTELLI. There is a historical perspective of this development included in the booklets I have provided to the committee.

The CHAIRMAN. Chief Ciccotelli, if I may interrupt you for a moment, I would like to express the committee's desire to make every effort to insure that during the course of our organized crime hearings no one is falsely accused and that individual rights are protected.

With regard to that concern, would you tell the committee what criteria your department used in gathering the information contained in the report you are presenting today.

Mr. CICCOTELLI. The material that we have put together in that report, Senator, is derived from years of intelligence gathering and the analysis of that gathering and some of the methods we used for that are both overt and covert surveillances of the people involved and the places they frequent.

We have undercover operations where officers pose as criminals themselves and infiltrate the gangs and some of the information we have gotten from that source is included.

We have confidential informants who, after they gave us information, have led us along the way so we could find they have demonstrated reliability.

Of course the obvious, eavesdropping, legally court applied for eavesdropping done in various cases is included in this.

Even then, there is some disparity between agencies as to which members are more prominent or not and it is not really important.

The fact is that they are all members documented by these means.

The CHAIRMAN. You may proceed.

GAMBINO FAMILY CRIME

Mr. CICCOTELLI. Each family developed with its own sphere of influence and its own special interests.

For example, the Gambino Castellano crime network, the largest and most powerful crime organization in the Nation.

Its roots can be traced back to the Vincent and Philip Mangano family, one of the original five families organized in the early 1930's.

Albert Anastasia assumed control of this family in the early 1950's and, upon his assassination in October 1957, Carlo Gambino succeeded him.

Of course, all of those I have mentioned are now dead and the family is reported to be under the control of Paul Castellano.

This family is not only involved in New York City, but is also active in parts of New Jersey, Connecticut, and Pennsylvania as well.

Illegal activities include the traditional fencing, gambling, loan-sharking, labor racketeering, and extortion, and it doesn't stop there. They are heavily engaged in counterfeiting, pornography, and alien smuggling.

In keeping with legitimate big business practices, this family's interest shows great diversification. They are entrenched in the meat, garment, trucking, construction, and cheese industries, the pizza-making business, private carting and the Brooklyn waterfront.

Ties in the private sanitation industry have facilitated their intrusion into toxic waste disposal. Recent news stories, and a current investigation which we are conducting confirms some of our worst fears that such operations may have a significant negative impact on our environment.

Great influence is exerted in New Jersey and Pennsylvania by the Philadelphia-based Bruno family considered to be a Gambino family satellite.

Complete documentation of affiliation and strength is hampered by the relatively recent practice of smuggling aliens to the United States from Italy via Canada.

These aliens originally imported as "hitmen" are now seen to be moving up in the organization as "soldiers" and "capos."

As an aside, we seem to be the only ones to call them capos. They call each other captains. They have been more Americanized than the people watching them. Some held similar positions in the homeland.

GENOVESE CRIME FAMILY

Next, the Genovese crime family.

This family's genesis is traceable to the very first days of the territorial division of spoils in New York City, in 1931, after Joseph Masseria was executed. Charles "Lucky" Luciano emerged as one of the five family leaders, "Don" Vito Genovese, his second in command.

While their history is replete with instances of killings and violence, there has been a noticeable thread of finesse in some operations.

Luciano was able to establish a commission credited with keeping some semblance of peace operable between gangs and formed alliances with the non-Italian criminal elements.

Today, this penchant for behind-the-scenes intrigue is manifested in reports of official corruption. Many operations are low-keyed and politically oriented.

Like the Gambino family, they are engaged in all the classic pursuits, gambling, narcotics, loansharking, hijacking, racketeering, pornography, fencing stolen goods, et cetera.

They tend to show diversification of enterprise with holdings in private carting, vending machines, pizzerias, bars, and restaurants, the entertainment industry, waterfront activity, and seafood distribution.

The current reputed head of the family is Philip "Cockeyed Phil" Lombardo, backed up by such names as Anthony "Fat Tony" Salerno, Gerardo "Gerry" Catena, Matthew "Matty The Horse" Ianniello, and Vincent "Chin" Gigante.

The family's influence appears to be on the rise in the New York area and it is possible that they may emerge as the most influential family in the United States.

Again, like the Gambinos, they show the ability to exert great influence on New Jersey organized crime factions.

Next, we talk about the Colombo crime family.

If I may digress, Joe, the charts.

I'm sorry, Senator. I brought some charts along to illustrate some of the upper echelon membership.

We can put the two fronts down and stand them up.

Senator BIDEN. Is it possible to move these a little bit forward, just slightly.

I don't want to take it out of focus for the people back there.

That's good. I can see it.

Mr. CICCOTELLI. Now, we will proceed with the Colombo family.

THE COLOMBO CRIME FAMILY

The CHAIRMAN. As I understand, this represents, more or less, the hierarchy of each of the families?

Mr. CICCOTELLI. That's the upper echelon, yes, sir.

Those are not—except for the top two levels, those are not done in order of their importance. They are done alphabetically.

There could be some discussion as to whether one member outranks another depending upon which agency is looking at them, which investigator is looking at them.

I don't think it is important to quibble over whether one man is a little bit ahead of another.

The fact that they are all involved in this grand conspiracy is more important.

As a result of law enforcement activity, turmoil within this family has resulted in some disorganization.

Carmine "Junior" Persico, the boss, is in prison; as is John "Sonny" Franzese, the underboss.

Alphonse "Allie Boy" Persico has been a Federal fugitive since June 1980 when he was indicted for loan sharking.

Many of their important members are among the missing; some, if not all of them, probably deceased. This is not to say that the family no longer exists or that their activity has ceased.

They have been involved in all of the traditional organized crime pursuits attributed to the other families—operating primarily throughout New York City.

They have always been rather heavily involved in the garment industry, real estate, caterers, and auto dealerships as quasilegitimate outlets for laundering money.

Today's Colombo family is derived from the old Joseph Profaci organization started as a result of the original "sit-down" in 1931.

Leadership was passed on from Profaci to his brother-in-law Joseph Magliocco, and upon his death in 1963, the "commission" conferred leadership on Joseph Colombo, who had a reputation of being able to control both the younger and older factions of the family.

Colombo's public activities in the early seventies, which drew much attention to organized criminal activity, were not favorably viewed by others who preferred a lower profile.

He was shot and incapacitated in 1971 and leadership passed on to Vincent Aloï, Thomas DiBello, Joseph Brancato, and in 1978 to "Sonny" Franzese until Carmine Persico's release from prison in 1980, when he took charge.

In May 1981 he returned to prison as a parole violator, leaving the day-to-day activities of the family in the hands of Jerry "Jerry Lang" Langella.

THE BONANNO CRIME FAMILY

Joseph "Joe Bananas" Bonanno personally ran this enterprise from the time of the original commission grant in 1931 until 1964 when an attempted powerplay against Gambino split the Bonanno family.

Bonanno went into hiding and alledgedly into subsequent retirement.

In a somewhat uncharacteristic turn of events, from organized crime conflict, he was allowed to peacefully remain retired, in Arizona, until the present. Recent prosecutorial action, against him, might lead to his long-term incarceration.

Upon his retirement leadership passed among several high-ranking members including Philip Rastelli, until 1974 when Carmine "Lilo" Galente was released from prison and assumed control.

Galente was murdered in Brooklyn on July 12, 1979, and it was reputed that Philip Rastelli, himself in jail, once more become the heir apparent. Rastelli was released from prison on April 21 of this year, and although on Federal parole, he is reported to be actively in charge with Salvatore "Sal" Ferrugia as acting boss.

Because of Rastelli's Federal supervision, much of the day-to-day activities of this family are handled by Ferrugia and Salvatore "Tator" Catalano, the acting underboss.

This organization has been supplemented by a group of young aliens from Castellamare del Golfo, Italy, who specialize in the importation of narcotics.

Pizza parlors, restaurants, espresso cafes, and sexually oriented businesses are among the other enterprises in which the Bonanno's are involved.

While this family is rather small in numbers, they exert a great deal of influence in the criminal community.

New York City and Arizona are the main geographical areas influenced by this family but interestingly, there are indications of Bonanno connections on the west coast and with Canadian organized crime through the Cotroni group.

THE LUCHESE CRIME FAMILY

The Luchese family, under the leadership of Anthony "Tony Ducks" Corallo is the smallest of the New York families. "Tony Ducks" has strong support from his underlings, Salvatore "Tom Mix" Santoro and Christopher "Christy Tick" Furnari.

This family's history goes back to the Tom Gagliano family. Gagliano exercised control from its inception in 1931 until he died of natural causes in 1953.

Then Thomas "3-Finger Brown" Luchese took control until his natural death in 1967.

At that time, it appears that control passed to Carmine "Mr. Gribbs" Tramunti until his incarceration in 1974. "Tony Ducks" is reputed to have been the acting boss until Tramunti's death in 1978, when Corallo assumed the full leadership he still exercises.

Like all of the other Families, their interests and holdings are widespread and diverse. Their operations include auto junk yards, scrap metal plants, trucking, private carting and vending machines.

This concludes the segment of this report devoted to the five traditional New York organized crime families. A complete listing of their reputed membership is included in the booklet we have provided. Also included therein is a short history of the Italian organized crime development in this area.

Now, I would like to discuss the operation of other criminal organizations active in New York City.

CUBAN ORGANIZED CRIME

Over the years there has been increased control of gambling activity, in some areas of New York City, by Cuban organized crime figures. The most notable of these is the "Spanish" Raymond Marquez crime group.

Operating numbers spots primarily on the Upper West Side Manhattan, they have a reputed strength of approximately 200 members.

There is an observable hierarchy similar to that indicated for the traditional five Italian families and they operate in much the same manner.

"Spanish Raymond" also has been reputed to be heavily involved in the narcotics trade. A recent arrest resulted not only in the confiscation of extensive gambling records, but also in a large quantity of heroin in cocaine. This investigation, which extended over 4 years, will also result in the forfeiture of extensive financial holdings.

Marquez and his associates, have been operating for more than 30 years, in the classic organized crime mode with a history of bribery and official corruption as an integral part of their activity.

Cubans are also noticed in other parts of this city's gambling problem, and while none have attained Marquez' prominence, they are rising to higher positions to otherwise Italian-run operations.

In another vein, of even greater concern because of their penchant for wanton violence, are those Cuban organized criminals involved in narcotics trade.

In addition to the long-entrenched dopers, a relatively new element has emerged.

Among the Mariels, those refugees who fled Cuba by boat, various reports and intelligence gathered indicates the presence, in New York City among other locales, of large numbers of vicious criminals dumped on us by the Cuban Government during the 1980 boatlifts. Testimony has been given before another committee hearing by Senator D'Amato that indicates the organizational strength and extent of criminality of this group.

BLACK ORGANIZED CRIME

Black organized crime appears in two distinct groups, the American blacks and the Jamaican-based Rastafarian cult.

AMERICAN BLACKS

They have been employed within the Italian organized crime structure primarily at the lower levels of gambling operations in the inner-city areas.

In the last few years there is increasing evidence that they are become entrepreneurs of their own gambling businesses or that some are reaching the middle management levels and then channeling the business through the Italian layoff network to minimize the risk of exceptional loss. Black involvement in illegal gambling does not show a complete separation from Italian-run operations at this time.

Indications of blacks in narcotics traffic is quite another story.

There is clear documentation of extensive operation of major black narcotics violators with international drug supply sources and the organization capable of importing, processing, cutting, and distributing those drugs.

RASTAFARIANS

This group if mentioned here and an indication of its criminal activity and mode of operation is included in the handout booklet because they show some organization and intercity and international connection.

However, the quasi-religious and distinct racial thrust of their activity demands an enforcement approach geared more specifically to situations rather than to organizations or individuals.

The Rastafarian criminals have a history of violence, extensive use of powerful handguns, extortion, and dealing in drugs. They are a threat to police in many parts of the metropolitan area with activities expanding throughout the east coast in such cities as Miami, Washington, Baltimore, and Philadelphia, among others, stretching as far north as Canada.

THE COLOMBIANS

The number of homicides involving Colombian nationals increased alarmingly in New York City and Miami, Fla., during the late seventies and early eighties. It was apparent that the vast majority of the victims had been involved in the trafficking of cocaine.

In many cases, the homicide victim was executed for having failed to pay for a large consignment delivery of cocaine.

However, at times, homicides were committed as a result of rival organizations of Colombians seeking to broaden their field of influence.

An overwhelming percentage of the perpetrators of these violent acts, which include kidnapping, torture, and mutilation, in addition to homicide, are illegal aliens with significant cash resources at their command.

An examination of a number of Colombian homicides reveals that there are currently four major families, or organizations, identified as being responsible for much of the importation of cocaine into the United States from Colombia.

The use of the word "family" is appropriate, in that these organizations are usually directed by blood relatives who often entrust positions of responsibility solely to other relatives.

Joe, would you mind uncovering this chart? There are no names on this chart, but it is a typical cocaine organization going back to South America to illustrate what we see—probably not all of them fit exactly this mode, but it is rather typical. That is included in the booklet too for your study.

As investigations are concluded, they may reveal as many as 12 families to be in control of the cocaine traffic. Interestingly enough, investigators have learned that once a transgression has been committed, even by a close blood relative, that transgressor will be dealt with as though he were a perfect stranger. The victim's fate will usually be accepted by other close relatives as being in the best interest of the organization or as an occupational hazard.

Although there has been some interplay between Colombian traffickers and Italian organized criminal elements, strong links have not yet been identified, as yet.

The Colombian influence in organized crime does not end with the cocaine importation and distribution business. Although the Colombians almost totally control the cocaine market here in New York City, they have also gained a prominence in the counterfeiting of U.S. currency and official documents. Colombian counterfeiters are considered to be among the best in the world.

In dealing with Colombian criminals, law enforcement officers are always aware that the possession of automatic weapons, including machineguns, is a standard operating procedure among the Colombian distributors in the New York City area. The weapon of preference among them, particularly the hit men, is the MACH-10, a 9mm machinegun with the capability of expending 30 rounds in a matter of seconds. Needless to say, the plethora of weapons possessed by these individuals are illegal and their desirability has created an entirely new illegal market for the Colombian racketeers.

ORIENTAL ORGANIZED CRIME

CHINESE

Numerous trade and clan associations have been operant in New York's Chinese community for many years. They emerged amid the social and economic concerns attendant to any newly arrived immigrant group.

However, while the original intent might have been a truly benevolent one, there was early recognition that concomitant benefits could be gained by those in positions of power. By controlling the purse strings, politics, and patronage in the community, great wealth could be amassed.

Organization was needed to continue the control of both legal and illegal activity. Such organizational control manifested itself first in the form of the Tongs—the most important are the On Leong and Hip Sing—and later through the Hong Kong based Triad Societies and Chinese youth gangs.

Extortion and protection markets are the most widespread and lucrative of the operations. Both legal and illegal operations are subject to this coercion with targets ranging from restaurants, food merchants, curio shops, and newsstands to gambling houses and massage parlors. Control and conflict resolution is achieved through extensive violence punctuated by numerous killings. In some cases the gang actually owns and operates the illegal gambling house called the massage parlor. They are also known to deal in narcotics.

Recent arrests made by our Department disclosed the presence of kidnaped, oriental teenaged girls who had been raped and forced into prostitution in one such massage parlor by the gang. It should be noted that most of the oriental massage parlors are run by, and staffed with, Korean personnel. No separate mention will be made of Korean organized crime because of the close intermingling observed between them and the Chinese organization.

Efforts to combat and control Chinese organized crime are severely restricted by the language barrier and further hampered by the extensive fear instilled in victims and potential witnesses, the difficulty in achieving positive identification of suspects, and because of the extremely mobile nature of operations which carry them from coast to coast across the United States and Canada.

JAPANESE

While there is limited evidence of Japanese organized crime in New York City at this time, the knowledge of the vast structure and power of the Yakuza in Japan has begun to cause concern in the enforcement community here. Limited specific intelligence regarding their operations, coupled with the reputation for maintaining tight discipline and control, could make such efforts difficult.

In dealing with the other ethnic organized crime groups we have the Irish.

A documentation of organized criminal activity in New York would be incomplete without the inclusion of the Irish westside gang in such narrative. The Westies as they are known, established a foothold on the piers on the Hudson River in midtown Manhat-

tan during the 1930's. Through extensive use of violence, they maintained control over the local dockworkers union and profited enormously from hiring practices, gambling, extortion, cargo theft, and loan sharking. Containerization, among other factors, led to the demise of the Hudson River piers as being commercially viable and the Westies turned their attention to the control of unions engaged in the construction, entertainment, and convention center industries. They continued the gambling, loan sharking and extortion.

Some of the most prominent members of this gang include: Edward McGrath, Michael "Mickey" Bowers, John "Cockeyed" Dunn, and Hugh Mulligan. Younger members of this organization who continue in the same tradition include the Coonan brothers; James, Jackie, and Eddie; and Francis "Mickey" Featherstone. Their long criminal records range from larceny to homicide with a reputation for unbridled violence which has served to protect their monopolistic control.

SOVIET AND ISRAELI ORGANIZED CRIME

Here are two other organized crime groups currently being monitored by our Department's intelligence and organized crime units, the Soviets and Israelis. While totally disconnected and distinct from one another, there are many observable similarities. Both groups are structured by relatively recent emigres from their respective homelands; both show a propensity for violent action consistent with that which is observed among other organized crime groups; both have international contracts; and both show operations in widespread areas of the United States.

As with the Italian organized criminal network, these groups show wide diversification of criminal enterprise. Their recent emergence coupled with limited contract by enforcement agencies precludes a complete analysis of their structure and personnel, at this time.

THE MOTORCYCLE GANGS

In response to widespread concern over increasing involvement of motorcycle gangs in organized crime operations, I can say that there is no evidence, at the present time, that they are cause for serious concern within the confines of New York City. We are constantly in touch with other jurisdictions and are keeping abreast of their activity in those areas so that we will be immediately aware of warning signs of their presence.

I might add that we are conducting liaisons with the Pennsylvania State Police, New York State Police, and have been to meetings in New Jersey and Washington, D.C. We are aware and have all the literature about the motorcycle gang threat, but we don't see it operable in New York City at this time.

Thus far my remarks have been confined to the readily apparent, illegal operations of organized crime in our society. While those of us in law enforcement are fully aware of and appalled by the pervasive nature of their activity, many feel that, being decent, law-abiding citizens, they are not personally touched by organized crime. Nothing could be further from the truth.

Indirectly, the loss of revenue caused by their crimes coupled with the expense of enforcement and prosecution are costly to us all.

In a more immediate and direct way, the cost of organized crime activity is heaped upon the backs of all members of the public as a result of their incursion into labor unions and legitimate business. Recent press coverage serves to illustrate this concern.

As a further illustration of this point, I would like to give a brief accounting of the *Fulton Fish Market* case. Prosecution has just recently been concluded in the U.S. Court of the Southern District of New York.

A joint investigation was conducted between the U.S. Department of Labor, the Internal Revenue Service, and the Organized Crime Control Bureau of the New York City Police Department from 1978 to 1982.

It disclosed organized crime links in the fish market that existed since the early 1920's when they gained control of local 359 of the United Seafood Workers Union. This union, representing all the workers who handle fish, was originally dominated by Joseph "Socks" Lanza, reported to be a "capo" in the Genovese crime family.

The fish industry is totally dependent upon this union for the timely distribution and delivery of fresh fish handled daily by half a dozen unloading companies. Racketeers control which companies may unload each truck and they retain this monopolistic control through the use of threats and violence.

In addition, there existed a widespread practice of "tapping" or "skimming" of fish. It was no more than simply stealing a percentage of the fish being unload each day. This "tax" was extracted in a continuing, systematic manner.

Leaving no stone unturned, they charged "parking fees" to trucks in the market. It didn't matter that these trucks were being parked on public streets where no one could obtain legitimate licenses to operate a parking lot. Those seeking to avoid this parking fee soon found out that their trucks or cars would be vandalized and their products stolen.

In conclusion, it is apparent that this long-term, expensive investigation and prosecution in U.S. court, southern district, leading to more than 40 arrests, including major organized crime figure, Carmine Romano, has almost eliminated the theft, wiped out the extortion connected with parking and will go a long way toward controlling criminal activity in the Fulton Fish Market.

It has been estimated that consumers served by the Fulton Fish Market had to bear an added cost of over \$1 a pound for fish as a result of the organized crime skimming that I have described. This is not the only economic impact leveled against the consumer. Organized crime costs us dearly in the garment trades, the dairy industry, trucking, construction, private sanitation, meat, produce, and others.

The myth that organized crime only affects those who are directly involved in criminal activity or that it only affects those who avail themselves of services often classified as so-called victimless crimes—is indeed just that—a myth.

In another successful investigation—one which was called the *Clyde* case, information was received from a confidential informant which, when analyzed, was assessed as being accurate, reliable, and valuable in assisting in the launching of a multifaceted, major investigation.

An investigative team was assembled from among members of the Organized Crime Control Bureau of the police department, the chief of detectives, organized crime homicide task force, and agents of the Bureau of Alcohol, Tobacco and Firearms.

Information was developed involving murder, narcotics, firearms, explosives, loan sharking, robbery, burglary, and cigarette smuggling violations. As needs arose, those possessing particular expertise who were assigned to various departmental or extradepartmental units were brought on board and the investigation was broadened to include members of the Narcotics Division and the Public Morals Division of the Organized Crime Control Bureau.

In a classic example of coordination, cooperation, case management, and prosecution—success was achieved after an extensive 8 month investigation which resulted in the indictment of 48 violators. Twenty-two of those indicted were soldiers or associates in one of the New York organized crime families. Included among the 40 weapons seized as evidence, in this case, were 10 machineguns equipped with silencers—clear testimony to the level of violence they use in maintaining controls.

There were two undercover officers who infiltrated this group at grave personal risk.

The first is Detective Joseph Lamendola. He was formerly assigned to the Public Morals Division and now a detective in the safe, loft, and truck squad. Joe has been a member of the New York City Police Department for 14 years. After serving briefly in uniformed patrol for 2 years, he was selected for assignment, in plainclothes, to the Organized Crime Control Bureau to conduct investigations concerning vice and gambling. After gaining investigative experience, Joe was assigned to a special unit with the specific objective of developing cases against major organized crime violators. He continued in that mode of operation for about 10 years.

His current assignment to the Detective Bureau's Special Investigations Division—safe, loft, and truck squad—allows him to continue to use his knowledge and expertise against this same class of violator. He has been cited eight times by our department for acts of valor and dedication.

The second of these is Dominic Polifrone of the Bureau of Alcohol, Tobacco and Firearms. Dominic won the admiration of the many other seasoned investigators who were outspoken in praise of his courage and ability to assume the criminal role.

Unfortunately Dominic is currently in another deep undercover investigation at this time and we do not want to jeopardize his safety by possible exposure here.

In his place, I have invited his superior, Group Supervisor Joseph F. Kelly who has been with the Bureau of Alcohol, Tobacco and Firearms for 13 years. He has been cited on numerous occasions for outstanding performance including the Secretary of the treasury's Special Achievement Award and an award from the Honor Legion of the New York City Police Department.

If you would like, it would be appropriate maybe to delve into this *Clyde* case and I put these two investigators at your pleasure. They each are prepared to give you a description of what their role was in that case.

The CHAIRMAN. Thank you very much.

Mr. Lamendola, do you have a prepared statement?

Senator BIDEN. You might begin by explaining to us how you can be here.

Mr. LAMENDOLA. In April 1980, I was introduced by confidential informant—

The CHAIRMAN. Could you please speak a little bit louder?

Mr. LAMENDOLA. In April 1980, I was introduced by confidential informant Clyde to one John Santora, a Denevose associate.

At this meeting which took place in Brooklyn, I was portrayed as a money man ready to do business and at that time offered a \$2,000 accommodation loan to Santora, his associate, for an introduction to two bars out in Queens, the White House Tavern an area disco, where known organized crime figures frequent.

After making this loan, the introduction was successful and I was subsequently welcomed to join in the planned robbery of an airfreight service and also a jewelry store and I was taken on pickups for loans sharking—

Senator BIDEN. Joe, excuse me.

Could you tell us what the timeframe was from the time you got the introduction through the, "loan," to the time you went out on your first job?

Mr. LAMENDOLA. One month.

Senator BIDEN. Thank you.

Mr. LAMENDOLA. As the time passed, as I kept working in this role, I met a longshoreman who works in the Brooklyn docks, and he was interested in obtaining Kodak film.

All the film that I could get for him, his sources could use.

In one instance, after my credentials were established, I met with the capo in the Genovese family and his son.

After being recruited to work within the policy operation, I began my own fictitious operation. I got 25 percent of whatever I turned in.

During the course of this undertaking, various organized crime associates approached me for loans.

In continuing in my undercover role, I met with members of the Bonano crime family and purchased stolen property and I learned the mechanics involved in the fencing of stolen property.

The CHAIRMAN. I have a few questions here I would like to propound to you.

Detective Lamendola, were any of the hijacked goods that you mentioned in your opening statement used for the payment of loan-shark debts?

Mr. LAMENDOLA. Hijacked goods, like gambling, were debts for illegal interest.

I have one instance in a previous case I worked for where the hijacking load was used to pay for loanshark debts.

The CHAIRMAN. Please keep your voice up as much as you can.

Detective Lamendola, illegal gambling constitutes a significant percentage of organized crime's revenues.

Approximately what percentage of the organized crime figures that you were introduced to during this investigation derived income from illegal gambling?

Mr. LAMENDOLA. Mr. Chairman, I would say roughly about 75 percent of the people I met in my role dealt in illegal gambling, which included bookmaking, sports betting and—

The CHAIRMAN. Thirty-five percent?

Mr. SHORT. Did you say 35?

Mr. LAMENDOLA. Seventy-five percent.

The CHAIRMAN. Detective Lamendola, after you established your credentials with the organized crime figures, what types of crimes were you invited to participate in and what kinds of goods and services were you asked to provide to organized crime figures and their associates?

Mr. LAMENDOLA. Well, I was brought into a robbery of a jewelry store in Manhattan where we went down and we cased the jewelry store to be robbed and supplied a car and weapons for us to use.

I was brought in on plans for an airfreight service in John F. Kennedy Airport and passes to roam around the airport were supplied.

The CHAIRMAN. Detective Lamendola, the purpose of undercover investigations is to allow law enforcement officers to obtain evidence of a crime directly, rather than through an informant or a witness.

In your opinion, is this the best investigative technique to gather evidence against organized crime or are there other methods that are equally good?

Mr. LAMENDOLA. Working in an undercover capacity is one of the best.

There are other tools which are just as good which include electronic surveillance, surveillance of the subject itself, and informants and concerned citizens which can give you information.

The CHAIRMAN. Detective Lamendola, how long could this investigation have continued if additional manpower and financial resources had been available?

Mr. LAMENDOLA. Most likely indefinitely.

As the investigator continues, you meet more and more people. More deals are given to you.

The CHAIRMAN. Detective Lamendola, you were introduced to organized crime figures at the beginning of this investigation by an informant.

Will you explain to the committee what approach you used to establish your credentials with these criminals?

Mr. LAMENDOLA. I was brought in as a money man and a money man is a person that is able to buy and sell stolen property and has money available for other illegal enterprises that these people want to do.

The CHAIRMAN. How was the money which you used supplied?

Did you have a flash role or what was the situation?

Mr. LAMENDOLA. If a situation required a large amount of money, I drew it out from the police department and funds came from the police department.

The CHAIRMAN. Detective Lamendola, you indicated in your opening statement that you accompanied organized crime figures to pick up on loanshark payments.

Did you observe any violence or threats of violence by the organized crime figures in the collection of these debts?

Mr. LAMENDOLA. Mr. Chairman, violence is the last stop that a loanshark wants to use on his victim, because the loanshark sees himself as a businessman supplying a service.

Threats, yes; I have been present when threats were given verbally; no physical beatings.

That's the last stop, because these people supply them with money and keep them in business.

The CHAIRMAN. Do you know any occasions where actual violence was used?

Mr. LAMENDOLA. No; not to my knowledge.

The CHAIRMAN. Detective Lamendola, although the initial focus of this investigation was trafficking in illegal firearms and explosives, was evidence of other crimes uncovered during the investigation and if so, will you explain how extensive those activities were?

Mr. LAMENDOLA. Gambling, loansharking, stolen property, narcotics, stolen automobiles—the list was endless.

The CHAIRMAN. Did you finish?

Mr. LAMENDOLA. Yes.

The CHAIRMAN. Is there anything else you would like to state at this time that would be helpful to the committee?

Mr. LAMENDOLA. Yes. I think electronic surveillance is very important.

I think the funds being made available to law enforcement agencies to combat organized crime is really needed.

The CHAIRMAN. Senator Biden?

Senator BIDEN. Thank you, Mr. Chairman.

Detective, I would like to take you back just a little bit.

First of all, you are either very brave or very dumb. I compliment you, whichever it is.

Thank God there are guys like you.

Let me make sure I understand.

There is a chart up here of the Genovese crime family and without saying who or where, at what level did you get in?

Did you ever sit down with, oh, Philip up on top and did he say, "How is it going today?"

Tell me seriously in your own language how far into that family did you penetrate? Were you just on the outskirts with some of the underlings?

Can you give me a sense of that?

Mr. LAMENDOLA. In this particular case, I dealt with capos and in other cases similarly, I sat down in another case, gambling which ran 2 years, I sat down at a table with the capo in the Genevose family.

Senator BIDEN. A capo is any one of those rectangular boxed up there. They are all capos.

Now, with regard to the time or times you sat down with a capo, are each of the capos having authority that is based on a geographic area, or is it based upon an enterprise?

For example, you were involved in loansharking. The capo that you dealt with, was his responsibility loansharking in the family, or was he involved in everything?

Mr. LAMENDOLA. This particular case, the *Clyde* case, it was loansharking, gambling, hijacked goods.

It can cover many facets.

Senator BIDEN. One of the things I am personally curious about, and I think the committee might be, is whether or not the breakdown of organization within an organized crime family is one that is so specialized that you have certain capos who deal only with narcotics and certain capos who deal only with loansharking and certain capos who deal only with hijacking or whatever.

Could you speak to that?

Mr. CICCOTELLI. Senator, if I may, our information is that the division of labor is not that distinct and clear.

The prime attribute of any of these members in the organized crime family is to earn money. That is the word. He is an earner.

You can get into whatever you would like to do or whatever is good to do and they overlap sometimes.

The impression that there are distinct geographic areas and if I go across the street I am on another guy's turf, that is not true.

They go into a lot of enterprises.

There is not the ability to jump into another man's enterprise and to try to outdo it.

So far as the distinct geographic level or in terms of specialty, we don't see that.

If you went up to one of them and you deal in stolen jewelry and he thought he could make a buck, he will do that; tomorrow, narcotics; tomorrow, hijacking.

It is true that some of them, for their own preference, have come to be known more as gambling or whatever else, but we don't perceive that distinct division.

Senator BIDEN. That is valuable information, and we thought that as the case, and I wanted to make sure for the record—

The perception of the public at large from the B movies is that you don't walk across such and such a street or you are on so and so's territory.

One last question; the amounts of money that you were talking about having access to in order to prove your legitimacy as a money man didn't seem very big in terms of dollar amount.

Maybe you can explain to me, why the initial introduction only required a couple of thousand dollars' loan. The SBA could handle that.

Based upon that small amount, that wouldn't be much evidence of your ability to be able to provide a real source of money to this particular family.

What were the dollar amounts you were regularly dealing with?

Did you have to convince them that you had access to hundreds of thousands of dollars or millions of dollars or just thousands of dollars?

Mr. LAMENDOLA. I don't think you can put a value on it.

They approached me to buy microwave ovens, coffeemakers.

We are talking about maybe \$80,000 or \$90,000.

Mr. CICCOTELLI. The expense of that kind of investigation is really not in terms of the amounts we have to lay out on the street. Once in awhile, it does.

The really expensive investigations of that nature would be buying narcotics.

Senator BIDEN. I agree. I was wondering on the loansharking side of it, did you put up money?

Mr. LAMENDOLA. This particular loan was an accommodation loan, which is, you give the person the money without any points.

That was just as an introduction, as a favor.

Senator BIDEN. Thank you.

-The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. Thank you, Mr. Chairman.

Chief Ciccotelli, you testified that the use of illegal aliens by the five Italian families and Colombians have become more pronounced and the Colombians are involved in the cocaine trade.

There seems to be a particular problem out in Queens with the use of greencards and counterfeiting identification and I understand in the Jackson Heights area of Queens you have statistics showing that more than half of the arrests there were of illegal aliens.

Would you go into that?

Mr. CICCOTELLI. I would like to let Inspector Ryan handle that. We don't get many green cards, but we do get illegal aliens.

Mr. RYAN. The problem of cocaine is very much in Jackson Heights in Queens in the Colombian section.

Many of our cases—

Senator D'AMATO. You say there is a Colombian section?

Mr. RYAN. A section out there inhabited mostly by Colombians.

What we have found in many of our cases, cases that we have going out, there is a direct flow of cocaine from South America into Jackson Heights.

It comes through ships or smuggled in at the airports.

Many of the people that bring it in are aliens. They come here on work visas, visits, or just coming up.

Senator D'AMATO. Just coming up?

Mr. RYAN. On a visit.

If we do find green cards and we know, in many, many cases there is a tremendous amount of counterfeiting in green cards, visas, and passports.

If you to find people with this, you turn it over to the Immigration people for further investigation.

The green cards we have seen, and we don't see that many, are excellent reproductions. For us to be able to tell is very difficult.

We bring in Immigration people to look at it.

We do make a substantial number of arrests, a considerable amount of cocaine is seized in Jackson Heights today. It is smuggled in in all different ways. Every way imaginable, it is brought into this country.

It comes off the ships.

We have cases where we followed deckhands, people who work on the ships docked out here in Brooklyn, and we follow them off the ship and go into Jackson Heights with them and recover cocaine.

We do searches with Customs. We work a joint task force with the U.S. Custom Service and do searches of the airplanes and ships.

We have electronic wiretaps going in Jackson Heights which documents, without a doubt, the direct flow of cocaine from Colombia into New York City.

Senator D'AMATO. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Special Agent Kelly, do you have a statement you would like to—

Mr. KELLY. Yes, sir. I would like to get back and discuss a little bit more about the *Clyde* case from the aspect of the Bureau of Alcohol, Tobacco and Firearms.

In early March 1980, Alcohol, Tobacco and Firearms Bureau received information from the New York City Police Department relative to the existence of a confidential informant who had the potential to furnish first-quality information concerning violations of statutes enforced by this Bureau. The informant was debriefed by Special Agent John O'Brien and I, from the Bureau of Alcohol, Tobacco and Firearms, and Sgt. Joseph Coffey from the Office of the Chief of Detectives in the New York City Police Department. The informant had proven to be reliable in the past and had been previously registered with the New York City Police Department. Following the debriefing, and a collateral investigation to verify the information furnished by the informant relative to his background, a working agreement was established between the Bureau of Alcohol, Tobacco and Firearms, the Office of the Chief of Detectives, and the Organized Crime Control Bureau of the New York City Police Department. It was decided that the informant would be controlled by these units in a cooperative operation. Although this relationship was interagency in scope, it proved to be highly successful, due to the superb liaison established.

Before addressing ourselves to the objectives achieved in this operation, a final word on the status of the informant is in order. When the informant first approached the personnel from the Office of the Chief of Detectives, he stated that his goal was to have himself and his family accepted into the Federal witness protection program. Eventually, through the office of the Organized Crime and Racketeering section of the Eastern District of New York, the approval for such action was secured. On August 25, 1980, the wife and three children of the informant were placed in the protective care of the U.S. Marshal Service; the informant followed upon the conclusion of his testimony before the various grand juries hearing evidence in connection with this investigation.

The informant, early in this operation, showed an almost uncanny ability to move freely in supposedly sacrosanct criminal circles. His initial area of operation was the Bath Beach section of Brooklyn, long a bastion of organized crime. Starting in that neighborhood, and later extending throughout the New York metropolitan area, the informant was able to introduce an undercover special agent of this Bureau, Dominick Polifrone, into various criminal groups. Included in these groups were "made" members of La Cosa Nostra. Special Agent Polifrone has been instrumental in the perfection of these investigations, all involving undercover purchases of contraband.

The informant began to introduce Special Agent Polifrone as a money man interested in the purchase of all types of contraband especially firearms and explosives. Over a 6 month period the undercover agent was introduced to and made illegal purchases from 21 members or associates of organized crime. Purchases included machineguns, sawed-off shotguns, silencers, handguns, explosives and hijacked cigarettes. While purchasing these weapons the undercover agent indicated to the subjects they were to be used in criminal activities including armed robberies, protection of narcotics shipments and murder. During these purchases Special Agent Polifrone had joint surveillance and covering teams present, and his conversations were electronically monitored and recorded; a total of approximately 100 tapes were made of various meetings. A total of \$33,000 was spent by this agency during this operation. Subjects arrested in this operation included documented members of the Colombo, Gambino, and Luchese organized crime families.

Thank you very much.

The CHAIRMAN. Thank you. I have a few questions here.

Mr. CICCOTELLI. Before you start with the questioning of Special Agent Kelly, he has been kind enough to bring us some of the weapons that we took in that case.

I think it would be impressive to show the class of weapons we are talking about.

The CHAIRMAN. I think it would be good to do that.

I was just about to ask him about the weapons and explosives he seized during the investigation and if organized crime figures indicated to him what they intended?

FORTY WEAPONS SEIZED

Mr. KELLY. We seized or purchased over 40 weapons during this case.

If you will let me, I would like to give you three examples of the types of weapons we brought in from this operation.

First, a .9 mm automatic pistol affixed with a silencer purchased from a capo in one of the organized crime families.

This is the type of weapon that we determined has only one primary use in the business of crime, and that is to kill people.

Senator BIDEN. It is not used for target shooting.

Mr. KELLY. Yes, Senator, that's correct.

The CHAIRMAN. What is the size of it?

Mr. KELLY. A .9 mm, Senator.

The CHAIRMAN. Where is that weapon made?

Mr. KELLY. This particular weapon, the gun itself, was made in Italy.

The silencers are made in machine shops in—they are all illegal to make in this country and, so, therefore, they are made in hidden operations and how they come about getting into the hands of these criminals, we are looking to find out.

Always we come up with machinists who will do it to make extra money.

The CHAIRMAN. Where was the silencer made on this one?

Mr. KELLY. We don't know.

When we purchased the weapon, we purchased it as you see it in front of you.

We can't determine. There are no markings or manufacturer.

As I say, it is strictly made in a counterfeiting type of operation.

The CHAIRMAN. Made in this country?

Mr. KELLY. Certainly.

Generally speaking, they are made in this country and probably made in the New York metropolitan area in bogus machine shops.

The CHAIRMAN. What did that weapon cost?

Mr. KELLY. I think this whole thing cost somewhere around \$500 or \$600.

The CHAIRMAN. \$500 or \$600?

Mr. KELLY. Yes, sir.

The second weapon—

The CHAIRMAN. Is that silencer detachable from the gun?

Mr. KELLY. Yes, sir, it unscrews.

What they do, they put a new barrel to the weapon and thread the end of the barrel and attach the silencer as so.

There is an extended head to the barrel of the gun and that is what the silencer screws into.

The CHAIRMAN. How long is that silencer?

Mr. KELLY. Eight inches, perhaps.

The CHAIRMAN. Eight or ten inches.

What is that silencer made of?

Mr. KELLY. While I'm not an expert, what they do is, they stick insides of the washers along with stainless steel material and substances like brillo pads, that type of meshing, and for some reason, while I'm not a ballistics expert, this will silence a bullet to a ping.

That's what you will hear when the gun is fired, a pinging sound. That is all you will have.

I have some more interesting weapons you might be interested in.

Senator, the second weapon we purchased in this operation also from a member of organized crime—

The CHAIRMAN. How many weapons?

Mr. KELLY. Three. You can wait and bring them all at once.

The second weapon we call the sawed-off shotgun used for close range scattering of ammunition; not a hunting rifle; easily concealed.

This is a rather long one.

Generally speaking, they will saw off the base of the weapon and the barrel even cut shorter.

The reason this isn't cut shorter is because they have this extension below that they can't chop because it will let too much of the gases out.

The CHAIRMAN. What is the length of the barrel?

Mr. KELLY. I am going to roughly estimate probably about 18 or 19 inches.

Normally it should be 26, 27 inches.

The final weapon I will show you—

The CHAIRMAN. Under 18 inches is illegal?

Mr. KELLY. That's correct. A violation of Federal statute.

The final weapon is probably the most unique one.

It is a .45 caliber machinegun affixed with a silencer.

We purchased 10 of these weapons and I might add, the individual we purchased them from was convicted in Federal court and received a 15-year sentence which we were pretty happy with.

This weapon, sir, again fires a clip—the clip you see affixed to it fires 30 rounds in probably 1 or 2 seconds.

The silencer is a homemade silencer made in a machine shop and quite a family weapon and again one purpose and one purpose only.

The CHAIRMAN. What is the cost of this weapon and the one just before that?

Mr. KELLY. The sawed-off shotgun, somewhere in the neighborhood of \$400 or \$500.

These weapons here, they were \$2,000 to \$3,000 apiece for the machinegun with the silencer affixed.

Senator BIDEN. Can you buy the machinegun at your local gun store and get the other mechanism?

Mr. KELLY. No. Machineguns are illegal under Federal statutes without multiple licensing and certificates.

What this particular gun is, is a replica of a machinegun where they get a machinist to file the sear and convert it from a semi-automatic weapon to a fully automatic weapon.

There was a lot of doctoring done with these guns.

The CHAIRMAN. Where was this weapon made?

Mr. KELLY. This is made in New York State, upstate New York. I think it's in Hurley, N.Y., in the Catskill Mountain region.

The CHAIRMAN. Was that made by a reputable firm?

Mr. KELLY. Yes. This is a Thompson machinegun. It is the old Elliot Ness type of weapon.

The CHAIRMAN. We used Thompson submachineguns in World War II, but they were a little longer than that.

Mr. CICCOTELLI. I might add, Senators, that we took these weapons to the field and staff up at the range took them apart and saw how they were modified and were impressed with the professional quality of the modification.

These are not homemade jobs. They were really well done by a machinist.

The CHAIRMAN. How does the silencer work?

Mr. CICCOTELLI. About the same as a muffler on a car works, Senator.

Senator BIDEN. There are a lot of turkey shoots in South Carolina. That's why the chairman is so interested.

Mr. CICCOTELLI. You don't have to keep it quiet there.

We were impressed on the firing of the machineguns. You don't hear the bullets.

You hear the clacking of the clip ejecting the bullets.

Mr. SHORT. Federal law requires that the barrel is 18 inches?

Mr. KELLY. Federal statute reads that it is illegal for a shotgun to have a barrel under 18 inches or have an overall length of under 26 inches.

The CHAIRMAN. Were any of the weapons found, seized, or obtained during the course of this investigation traced back to any prior violent crimes committed?

Mr. KELLY. Before I answer your question, I wonder if it might be possible—one of my associates has logbooks on all the subjects arrested in this case along with their background and history.

I would like to hand them to each one of the Senators present so they could get an idea of the people we dealt with.

In answering your question, so far as obtaining the backgrounds of the weapons and whether or not they were involved in any crimes, we found none of the weapons we could determine was involved in previous criminal activity.

We attempted to trace all weapons and the majority of such, it was determined, were stolen and, in some cases, the weapons were either of foreign manufacture or too old to be traced.

Therefore, we met with dead ends in that phase of the investigation.

The CHAIRMAN. Are you submitting one of these for the record?

Mr. KELLY. Yes, all three of them as a matter of fact, Mr. Chairman.

Senator BIDEN. Did any one of these guys come as a real surprise?

Who were the most significant of the people caught in this net?

Mr. KELLY. Can I have Sergeant Coffey respond to that question?

Senator BIDEN. Sure

Mr. COFFEY. Two, to be specific, individuals who were more or less a surprise to us that our informant was able to introduce us at that level.

I can identify them because both people were arrested at the time.

One is Dominick Cataldo currently doing Federal time as a result of his conviction in the Eastern District of New York and the other is an individual named Ciro Perrone who is a major organized crime figure in the Queens area of New York City.

There are other high level organized crime figures who you will also find in that book in the other crime families.

For example, George Capiano is considered a capo in the organized crime family of the city.

There are several in there that we didn't believe our informant could take us to and he did.

Senator BIDEN. The first two people you named, are they capos?

Mr. COFFEY. Yes, sir.

The CHAIRMAN. This investigation appears to be an excellent example of the cooperative investigation between the Federal law enforcement agency and the city police department.

As a result of this investigation, have any plans been made to continue these types of joint investigative efforts?

Mr. KELLY. Mr. Chairman, our agency works with local police and State police forces on a continuing basis.

We especially work very cooperatively with the New York City Police Department, their anticrime, their detectives and headquarter units.

Currently we do drug investigations going on into traditional organized crime groups and they are currently underway so I don't think I could discuss them in more detail.

The CHAIRMAN. Agent Kelly, you stated that \$33,000, I believe, was expended during the investigation; is that correct?

Mr. KELLY. Yes, sir, that's correct.

The CHAIRMAN. Can you give us an estimate, approximate dollar value, of the contraband fee used as a result of this case?

Mr. KELLY. Yes, sir.

The 33 was by my agency and the police department also expended a great sum of money in this case.

We purchased approximately 40 firearms and paid approximately \$20,000 for these weapons.

A street value for the same weapons would be approximately \$60,000.

At the time of the arrest, we seized 2 vehicles valued at approximately \$30,000; purchased blasting caps which have a street value of \$4,000; 1,800 cartons of hijacked cigarettes for \$5,400 and their street value around \$10,000.

We made a purchase of 10 ounces of heroin which were paid with New York City Police Department funds, \$100,000. The street value should be approximately a half a million dollars.

Finally, we purchased 8 ounces of cocaine for \$14,400.

We estimate the street value at about \$75,000.

The CHAIRMAN. Officer Kelly, during the Clyde investigation, how were policy and other differences resolved between the two agencies?

Mr. KELLY. Senator, we started this operation by setting up some guidelines so far as interaction on monitoring of the cost of the investigation, because it was going—these were two undercover and they could go in two different directions.

We decided at the beginning that we would have two meetings on a weekly basis.

The first meeting was with all the law enforcement agencies involved and the second meeting would be with the law enforcement agencies involved and the prosecutors who would ultimately deal with the case in a judicial aspect.

We had daily meetings with the field personnel also.

Finally, immediate supervisors involved in this operation were advised of all developments on a daily level and upper echelon policy decisions were made collectively rather than unilaterally as they arose.

That's basically how we kept everybody abreast of how the operation was going and nobody got their toes stepped on.

The CHAIRMAN. Officer Kelly, Special Agent Polifrone and Detective Lamendola, did they work as a team or did they work independent of each other on different aspects?

Mr. KELLY. They worked independently, Mr. Chairman.

Agent Polifrone primarily focused in on violation of firearms, explosives, narcotics, and homicides; while Detective Lamendola investigated gambling, criminal receiving, armed robberies, stolen property, and hijacking.

Both undercover operatives infiltrated members of the five New York organized crime families.

The reason they went their separate ways is multifold.

We felt if they had worked together getting cover stories fitting both undercovers would have been very difficult and could have created problems.

Also, when two undercovers are working at the same time, sometimes stories get criss-crossed and they will contradict one another.

Finally, we felt that if one of the undercovers was discovered as being a police officer, we could still continue the operation with the other undercover operating as an independent agent.

The CHAIRMAN. Officer Kelly, has the Bureau of Alcohol, Tobacco and Firearms detected any patterns for exchange of weapons or drugs between the various organized crime groups in the New York City area?

Mr. KELLY. In this case, specifically, sir, there was no indication where the defendants or subjects involved exchanged weapons for drugs.

Usually, it would go the other way around.

MORALE

The CHAIRMAN. Senator Biden?

Senator BIDEN. We have a long hearing and I just want to ask you one question, Mr. Kelly.

Your agency had a little bit of a shakeup.

If you are like all Federal bureaucrats, you will answer me, everything is fine, but I would like you to be an honest Irishman like me and be straight.

On my way over here I talked with two New York City detectives. They pointed out that the moral seems to be a little low over at Alcohol, Tobacco and Firearms.

You had most of your secretaries, cars and equipment taken away when Congress decided it was going to abolish the agency. Then low and behold, Congress and the administration tried to build it up again when they decided not to merge it with the Secret Service.

Give me an appraisal of your outfit now.

Mr. KELLY. Here in New York we started to hire new agents. We are getting young blood which we desperately needed.

Prior to the shakeup the average age of the field agent was mid to upper thirties.

We just hired some young agents in their early twenties and started to train them into becoming undercover operatives.

The are going down to Georgia this summer and will be down there for 4 or 5 months and when we get them back in the street, the morale will start to improve.

Right now it is relatively status quo.

Senator BIDEN. It is a rebuilding?

Mr. KELLY Yes.

Senator BIDEN. Most of your backfield is gone.

Mr. KELLY. They were getting to be old men.

Senator BIDEN. Wait a minute. I just turned 40. Well, I guess that is old.

That's the only question I have.

I hope we in the Senate do not continue to tamper with your agency other than to give you a little bit more money.

I will leave it at that.

Senator D'AMATO. Mr. Chairman, only one question.

What was the final disposition of the cases against the individuals in the *Clyde* case? In other words, how many of these underworld figures are you aware of who were actually incarcerated or have been convicted?

Do you have any figures on that?

Mr. KELLY. Senator, I can speak from our aspect.

In the Federal courts my agency arrested 21 or 22 individuals. All were convicted in Federal and State courts.

The sentences range from 15 years, which was high, to 5 years probation, which was a low.

I would say a third to half are all incarcerated for some crime. Senator D'AMATO. Thank you very much, Mr. Chairman.

[Witnesses excused.]

The CHAIRMAN. I understand the U.S. district attorney for the Southern District of New York, Mr. Giuliani, is here and on a time schedule.

I wonder if we can take him for a few minutes.

Mr. Giuliani, if you will hold up your hand and be sworn.

[Rudolph W. Giuliani, called as a witness, was duly sworn by the chairman.]

The CHAIRMAN. Our next witness is the Honorable U.S. attorney for the Southern District of New York.

Mr. Giuliani is well known in Washington for his fine work and dedication as Associate Attorney General at the Department of Justice.

Mr. Giuliani was also recognized as an experienced prosecutor in areas of organized crime and in drug trafficking.

He was directly involved in the implementing of the task forces and provided valuable leadership to that effort.

This committee is pleased to have you here today, Mr. Giuliani, to provide your thoughts on the Federal role in combating organized crime in narcotics-related activity here in New York.

You may proceed, sir.

TESTIMONY OF HON. RUDOLPH W. GIULIANI, U.S. ATTORNEY, SOUTHERN DISTRICT OF NEW YORK

Mr. GIULIANI. The existence of organized crime in America dramatically displays our lack of commitment to the rule of law. Organized crime cannot flourish and grow in a society where voluntary adherence to the rule of law prevails. It does flourish where it can feed off the illegal tendencies of many people. It flourishes in a society where too many people are looking for breaks above and beyond the law, where the duties of being a citizen of the greatest Nation on Earth—paying taxes, testifying in court, serving on juries—are considered burdens to be avoided and sometimes illegally evaded. The existence of organized crime constitutes an indictment of our entire society because it cannot exist without broad support, tacit and otherwise.

It is unrealistic to say we can end all crime. From the time of Adam and Eve we have had crime. Whether you view the struggle between good and evil as religious, moral, or philosophical, it largely tells the story of our past and unfortunately but realistically will tell the story of our future. Although we cannot end all crime, we

can end organized crime. Until we do, it will do more to define us for future generations than our accomplishments.

The domestic danger to civil liberties as it is debated in the courts and in public forums is viewed almost exclusively as a struggle between the individual and the Government. Nothing I say is intended to demean either the history or the present necessity for that debate because in that very debate we preserve and protect the uniqueness of America.

There is, however, little attention paid to the civil liberties struggle which has more practical relevance to those who live in America in the eighties. To be sure there are some Americans whose freedom may be imperiled by an overzealous and overly pervasive Government. But that is the exception. The greater danger to the exercise of one's freedoms is from the forces of lawlessness. And organized crime by its very nature creates the gravest danger. For those caught in its grip, anarchy reigns.

Like war, organized crime has been romanticized by Hollywood and television. Too often the organized crime leader is portrayed as a man of power, decisive and in his own way principled and admirable. He may kill but only when necessary. He loves his family and children above all. Indeed, in many respects he is painted as administering a system of justice which because of its simplicity and immediate emotional satisfaction seems preferable to the legal system.

Real organized crime members are far different, however. They are men of little or no character. They murder to suit their own ends. They live off terrorizing others including innocent people. The protection rackets, loan sharking and other such crimes best illustrate what parasites they are. The character profile that best fits the organized criminal is the bully who is brave when surrounded by others who will fight for him, but would quiver if he had to stand alone.

The effects of organized crime on our society are devastating. Its continued existence tells the world what kind of society we are. It diminishes the quality of all of our lives, and in some cases extinguishes life. The heroin trade as we know it today would not exist without organized crime. Like any business with a profit to be made, organized crime has actively expanded and maintained the market for the sale of its primary product—heroin. Unlike any business, however, its product is poison, its customers largely the poor and the disadvantaged and its victims not only the purchaser-addict but also millions of others who are robbed, beaten, and terrorized by the addict in the quest for the money necessary to feed their ever-increasing habit.

Involvement in the heroin trade and its consequent effect on the level of violent crime affects all of us. In order to exist, organized crime must corrupt. It bribes law enforcement for immediate protection, the politician for long-term protection. The corrupting influence goes further. If it enters legitimate business, it will act to corrupt the labor organization within the industry, as well as allied and competitive businesses. It brings to legitimate business the same tactics it uses in its illegal business—extortion, bribery, and ultimately contract murder.

After several generations of refusing to acknowledge the existence of organized crime, finally in the 1960's the Department of Justice began to focus on organized crime. It took almost two decades to make up for lost time. But in the last several years the successes have been noteworthy. Within the past 5 years the Justice Department's Organized Crime Strike Force, the Federal Bureau of Investigation, other Federal, State, and local investigative agencies, and the U.S. attorneys, have indicted and convicted numerous high-level members of syndicate families—in some cities including the top structure of organized crime families regarded as untouchable a few short years ago.

During fiscal year 1981, there were 515 organized crime convictions. During fiscal year 1982, there were 763—nearly a 50-percent increase. The number of convictions during this fiscal year will again increase. In total, there have been about 1400 Federal organized crime convictions in just the last 2¼ years.

Some of the most significant cases of the past 2 or 3 years illustrate the point more dramatically than statistics alone.

The boss of the New Orleans family was convicted in two bribe-conspiracy cases, during January 1982 in his hometown and in April 1982 in Los Angeles. He was sentenced to serve 17 years.

In July 1982 the leader of the Cleveland syndicate was convicted of Federal racketeering charges and sentenced to 17 years. The No. 3 man in this same syndicate received a sentence of 12 years in a related prosecution involving the bribery of a Federal employee in an effort to obtain confidential information from FBI files.

The boss of the Philadelphia mob was convicted on firearms charges and jailed in August 1982 pending appeal. Earlier, in February 1981 the Nos. 2 and 3 leaders of the Philadelphia syndicate had also been indicted on racketeering and conspiracy charges, but were murdered before the court process could be completed. One captain of the organization was ultimately convicted in June 1982 in that same case and received a 10-year sentence.

In September 1982 the No. 3 man in the Chicago syndicate was convicted in a case involving control of a major labor union. He was sentenced to 20 years.

Just last December, in Chicago, the president of the Teamsters Union was convicted of attempting to bribe a U.S. Senator. One of his codefendants was a leader in that city's organized crime group.

Recently the underboss of the Cleveland family was convicted of engaging in a continuing criminal enterprise plus 23 other narcotics violations. In addition three other organized crime figures were convicted of engaging in a continuing criminal enterprise, conspiracy, murder, and an assortment of narcotics violations.

The Organized Crime Strike Force which operates within the U.S. attorney's office for the Southern District of New York, along with the FBI and the Drug Enforcement Administration, and the police department in New York, have scored some of the biggest breakthroughs in infiltrating organized crime in the past 2 or 3 years.

In October 1980, Frank Tieri, then the boss of the former Vito Genovese family, was charged with racketeering for operating his La Cosa Nostra crime family through a pattern of racketeering consisting of murder, loansharking, extortion, and bankruptcy fraud.

He was convicted and sentenced to 10 years in prison. Tieri died before he began serving his sentence, but the case stands as a landmark because it established in a court of law beyond a reasonable doubt the existence of an actual organized crime family. This Tieri landmark case was followed in September 1981 by the conviction of Russell Bufalino, the boss of the La Cosa Nostra family in eastern Pennsylvania for conspiracy to violate the civil rights of a government witness in the witness protection program. Bufalino was convicted and sentenced to 10 years in prison.

Probably one of the most significant organized crime cases of the past several years was the conviction on August 27, 1982, of four organized crime members for participating in the affairs of the Bonnano family of La Cosa Nostra by a pattern of racketeering activity including murder, robbery, gambling, and narcotics trafficking. This prosecution was the result of a 6-year undercover operation conducted by the FBI in which an agent successfully infiltrated the ranks of the Bonnano family in New York City and Florida, again establishing in a court of law beyond a reasonable doubt the existence of an organized crime family.

Relating to efforts against organized crime's involvement in narcotics trafficking, considerable progress is being made. In January 1982, Attorney General William French Smith gave the FBI concurrent jurisdiction along with DEA to handle narcotics investigations. At that time the FBI was working on only 100 cases relating to narcotics trafficking. Now the FBI is working on over 1,300 cases involving such violations. Over 800 convictions have already been obtained.

The thrust of the ongoing investigations by the FBI, DEA, and the U.S. attorneys is directed at the La Cosa Nostra families as criminal enterprises, utilizing the RICO statutes as the vehicle to prosecute these families. Cases such as *Tieri* and *Bonnano* serve as examples of what can be accomplished.

In dealing with organized crime, Federal law enforcement working jointly with State and local law enforcement must set two goals for this decade: Crushing and ending once and for all La Cosa Nostra and expanding its investigations of the newly emerging organized crime groups.

The convictions, indictments, and investigations of La Cosa Nostra members are finally at levels where law enforcement is making real inroads in the very structure of the organization. With all that success, however, we must guard against a tendency to become complacent. We are at a turning point. If we could now redouble our efforts we could end La Cosa Nostra within this generation. In my view it can be done. The 12 new task forces established by President Reagan finally gives us both the resources and the cooperation needed to infiltrate the organized drug trafficking. In the New York metropolitan area it means a substantial increase in the numbers of Federal prosecutors, FBI, DEA, Customs, and IRS agents devoted exclusively to drug cases. It also means being able to increase Federal cooperation with State and local law enforcement.

New York has two assets which give us real hope that we can tackle this problem more effectively here than anywhere else: the New York City Police Department, the very best police department

in the world, and Sterling Johnson, the citywide narcotics special prosecutor whose courage, talent, and hard work were major contributors to the convictions of notorious drug dealers such as Carmine Tramunti and Nicky Barnes to name just a few.

For over a decade DEA and my office, the U.S. Attorneys Office for the Southern District of New York, have worked closely with the NYPD in a joint task force where city policemen and DEA agents work side-by-side in making major drug cases. We have also worked very closely with Sterling Johnson in making some of the most important drug cases of the decade. Mr. Johnson is the unsung hero in most of these cases. This is the way we have to go in the future if we are going to make inroads into this organization.

It is equally as important, however, to focus on the newly emerging organized crime groups. They are organized much like La Cosa Nostra. They are engaged in the same pernicious businesses, drug trafficking, extortion, loan sharking, political corruption. As death, natural and otherwise, convictions and prison sentences, as well as demographics deplete the ranks of traditional organized crime, these new groups are ready to fill the vacuum. Youth gangs, prison gangs, and drug importation and distribution networks are the principal groups from which the new organized crime families will emerge.

We must learn from the mistakes of the past. We cannot again wait two generations to acknowledge the existence of these organized crime groups. Law enforcement—Federal, State, and local—must begin, and in New York we have already begun, the difficult and dangerous task of infiltrating, exposing, indicting, prosecuting, and convicting.

The work of this committee is most welcome to law enforcement. We can only go so far. You can do much more to shine the light of public scrutiny on these groups and to enact reforms of our laws so we can deal with them more effectively. Reform of the bail laws, determinate sentencing, elimination of parole, expanded forfeiture provisions, capital punishment for contract killers are some of the measures which would be of greatest help in this effort.

The problem of crime is a complex one. The problem of organized crime is particularly difficult. Sometimes in saying that we convince ourselves we can do nothing about it. You solve a complex problem by taking it in small steps one at a time. Each major organized crime figure indicted, convicted, and sentenced sends a message. Like a war, the enemy may keep replacing the dead and wounded but if you continuously increase the losses eventually it breaks their backs.

We are increasing their losses every day. We are imprisoning a lot more and a lot more significant organized crime hoodlums than every before. But our success should not make us complacent. If we can increase the pressure at this crucial time we can in this decade terminate La Cosa Nostra, and we can make substantial progress in our efforts against the other organized crime groups. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Giuliani.

I have a few questions here I would like to ask you.

What is the volume of the organized crime caseload in the U.S. attorney's office and how are the cases divided among each of the prosecutors?

Mr. GIULIANI. In my office there is an organized crime strike force, Mr. Chairman, that handles the vast majority of organized crime cases.

There are 11 assistant U.S. attorneys assigned to that strike force and there is also a—

The CHAIRMAN. I have an emergency call from Washington.

Let's take a 5-minute recess.

[Whereupon, a recess was taken from 12:15 o'clock p.m. to 12:35 o'clock p.m.]

The CHAIRMAN. The committee will come to order.

Mr. Giuliani, will you direct any additional enforcement activity against organized crime into areas other than drug trafficking and, if so, will you explain what other areas you intend to focus on?

Mr. GIULIANI. The U.S. attorney has an organized crime strike force that has approximately 11 assistant U.S. attorneys and agents from all agencies working with them.

The areas that they cover run the full gamut of activities organized crime are involved in, labor racketeering, extortion, corruption, the whole gamut of activities that traditionally have been activities that organized crime has been involved in, as well as taking a look at some of the new groups that are involved in organized crime activities in addition to drug trafficking.

The CHAIRMAN. Mr. Giuliani, you recently announced that as U.S. attorney you intend to intensify efforts directed against organized crime.

What plans have you formulated to carry out this effort and do you anticipate a need for additional resources to make the effort effective?

Mr. GIULIANI. The additional resources we received in the last 2 months, eight additional U.S. attorneys as part of the President's task force certainly gives us more people to get our job done.

I would always like even more.

At this point the additional eight certainly will enable us to take on cases we weren't able to take on before and move ahead with them.

The CHAIRMAN. What steps have you taken since becoming U.S. attorney for the Southern District of New York to insure that your staff cooperates with the various agencies involved in organized crime and narcotics-related investigations?

Mr. GIULIANI. The office that I have the privilege of running has always cooperated very, very closely with the New York City Police Department, with the narcotics prosecutor, with the district attorneys, particularly in drug investigations.

The DEA task force that exists here that existed here for over a decade, was one of the early task forces.

They now exist throughout the country where drug enforcement agencies and New York City policemen work side by side in making drug cases.

My office has participated in running a lot of those investigations and prosecuting a lot of those cases.

That's the kind of activity that we are encouraging, as much joint activity involving the U.S. attorney's office, the FBI, the Drug Enforcement Administration, the New York City Police Department, and the local prosecutors.

And then after we make the case, let's figure out the best place to prosecute the person where we could get the heaviest penalty.

The CHAIRMAN. Mr. Giuliani, how will your office interface with the Federal drug task force and do you foresee any difficulty with having additional Federal prosecutors assigned within the Southern District of New York?

Mr. GIULIANI. No, Mr. Chairman, on the contrary, I would welcome any additional Federal prosecutors put in the Southern District of New York or Eastern District of New York or anywhere within this metropolitan area.

One of the things that this hearing certainly illustrates from the five charts on the board, unlike any other American city, this city is cursed with five organized crime families; not just one.

Most other major urban areas have only one.

It is not an exaggeration to say that New York is the hub of organized crime activity. It may be the capital of organized crime activity in the United States.

The more Federal prosecutors, the more Federal agents and the more activity that the New York City Police Department and the State police can devote to organized crime not only will help New York, but we export an awful lot of that crime to the rest of the country.

The heroin that is dealt in the streets of Philadelphia, Baltimore, Chicago, Detroit, much of it comes from New York and a lot of organized crime activities that occur in those areas are run by members of those five families that you see illustrated right there.

The CHAIRMAN. Mr. Giuliani, in the past there has been some criticism directed toward the Department of Justice concerning the use of undercover agents, informants, and electronic surveillance.

The committee realizes that these investigative aids are essential to the investigation of organized crime cases.

Would you give me your thoughts on this matter?

Mr. GIULIANI. They are very, very delicate techniques.

They are, on the one hand, vitally important in our ability to infiltrate organized crime and, on the other, involve private interests and constitutional interests just as important.

It is the obligation of law enforcement, the agents and the prosecutors, to handle, for example, electronic surveillance in a way that is limited solely to those people who are involved in serious criminal activity.

The Department of Justice on both electronic surveillance and use of undercover agents in the course of the last several years have instituted very, very stringent review procedures to try to make certain that we are only using undercover techniques that are prudent and actually necessary and only using electronic surveillance and the witness protection program, for example, in the situations where they are absolutely necessary.

There is on other way to achieve the same result.

Now, with all of that, given the fact that we are involved in a very difficult business where it is easy for you, sometimes, to

second guess later what the right decision was before, mistakes are going to be made.

I believe that the Department has in place stringent procedures to balance those two interests; namely, the interest of law enforcement and the constitutional and privacy issues.

There are always improvements that could be made, and I'm sure that the Department would be open to any suggestion as to how to balance effectively those two very important goals.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you, Mr. Giuliani. I'm glad you're back.

I would like to ask you a little bit about the relationship of organized crime families, particularly La Cosa Nostra, Italian organized crime families to their counterparts in Italy.

How much do we know about that?

For example, on the drug trade, are the bulk of the drugs that are distributed by organized crime families here in New York bought from an Italian source or are they bought on the international market?

How does it work?

Mr. GIULIANI. I believe, and the Drug Enforcement Administration certainly can support a good deal of this, a large percentage of the heroin that comes into this city and, consequently, into the rest of the United States is handled at one point or another by the Sicilian Mafia.

I'm not talking about Italian-American Mafia groups. I am talking about Italian groups that handle, at least, the transshipment of the drugs from the source country to the United States.

In fact, that is a new development.

In the old days, the "French Connection" days, the source country was Turkey.

Drugs move through Corsica and then ended up, sometime with organized crime families here in New York or elsewhere or sometime with other groups.

I think the Mafia, both domestic and Italian, have taken over a much larger share of the heroin traffic than ever in the past.

It has been involved in heroin in the past, but to say they control the vast majority of heroin that comes into this country, both the Italian-Sicilian group as well as the American group is not an exaggeration.

I can't tell you 60, 70, or 80 percent. I think it would be guessing.

Senator BIDEN. If you had your choice as a prosecutor whether or not you could have, a significantly increased capability to arrest and convict members of the Italian-based organized crime families or be able to impact upon the source countries that supply the drugs in the first place, where would you get the greatest bang for your buck?

Mr. GIULIANI. It is very hard, Senator, if you can do both—

You have to put a great deal of pressure on the source countries.

If we can keep drugs there and prevent them from going through the transshipment country, then we obviously achieved even more than putting an organized crime figure in prison.

Even if we intensified our efforts fourfold in source countries, however, drugs will still come through.

Some of these countries have ancient problems that we and their governments are going to be able to overcome.

I think in a way, although I would like to answer the question on one side or another, I think we have to do both.

Senator BIDEN. I guess what I'm trying to do is get it in focus.

DEA estimates that approximately 10 percent of all drugs, heroin included, that come into this country are detected and intercepted.

We know it comes in, but we are only able to get our hands on 10 percent maximum.

I suspect that you don't even get 5 percent once it hits the streets.

So even if you increase the statistics—as you indicated in your statement—which was almost the same statement you made in Washington several month ago—we still have a long way to go.

You gave us the Washington line for the first 80 percent of the statement, being the good soldier you are.

Those statistics are impressive, but very unimpressive relative to the problem.

They literally scratch the surface and I wonder whether or not we are asking too much of you and your local counterparts, the NYPD, the New York City Police Department? How are we going to be able to, even with this increased effort, make any sizeable impact upon drug traffic?

Mr. GIULIANI. I think, first of all, we have no choice but to try to do so.

The only other answer would be to give up. I don't want to do that.

I think we should put more pressure on source countries. We should try to stop drugs at the source.

If we were successful at that beyond your or my wildest dreams of success, there would still be a substantial amount of drugs coming into this country because, as a practical matter, we are not going to be able to affect all source countries.

Many of the countries in Southeast Asia source countries, we don't have relationships with. Drugs are going to be coming into the United States.

Domestic enforcement, increasing it and putting emphasis on it, is an important part.

One other point, these are pretty bad people, whether they are dealing drugs or doing something else and if they are not dealing drugs, then they are doing something else, like extortion or murder.

You get two benefits from putting them in prison:

One, you get them out of the drug trade; and, No. 2, you get them out of society, where they belong.

Senator BIDEN. You haven't incapacitated any of their operations but you have incapacitated individuals.

There is no family, that I am aware of, that has been incapacitated.

Mr. GIULIANI. That's the frustration with the problem of crime.

There will always be, unfortunately, a great deal of crime.

The only thing we can do is to, in steps, infiltrate, prosecute, put them in prison and hope that with the fact that these people are getting older, dying, killing themselves it will end.

The demographics of organized crime have changed.

The recruits they had available 20, 30 years ago in the Italian-American community in this city, they don't have available today.

I don't think it is unrealistic to say that we can end La Cosa Nostra in 5 to 10 years, not just law enforcement efforts—

Senator BIDEN. I think your point you made was an extremely good one about not waiting two decades to decide.

It is now time to infiltrate and to recognize the existence of, and make major efforts to infiltrate and destroy, the burgeoning new crime families that the deputy chief outlined for us.

You have seen this chart before. You submitted it to us about the case procedure.

Now, I'm curious, and you are one of the architects.

You mentioned the strike force as still being in existence up here and has been a valuable tool and that is designated here by this little box.

Explain to me, if you would—let's assume an agent, either DEA or someone from the New York Police Department concludes that there is a major drug case or, in this case, a drug case to be made against the Gambino family or the Genovese family or any one of them.

Now, how does that get put into the system?

How does this apparatus function?

Can you explain it to me?

Mr. GIULIANI. I can tell you how we are doing it with our office.

Senator BIDEN. This is the new task force operation.

Mr. GIULIANI. Right.

If an organized crime case is purely a drug case, we would handle it in the new task force.

If an organized crime case is not a drug case, it involves extortion, labor racketeering or corruption, it will be handled in the strike force.

If it is a little bit of both, and we have several right now, we have the head of the task force and the head of the strike force work together on that case so we get the benefit of both organizations working on those involved in both drug activities and other forms of organized crime activities.

It works out a little bit easier, I believe, in my office because the strike force is part of the U.S. office of the Southern District of New York.

There might be more coordination problems in a place where you have the U.S. attorney running the task force and a separate strike force.

In most cities those people work closely together.

In those few cases that overlap, you have the strike force attorney and the task force attorney working together.

You try and bring the agents—

Senator BIDEN. Can the agent bring the case directly to you?

Mr. GIULIANI. Yes, all cases, theoretically, would come directly to me and I am in charge of both the task force and the strike force.

Senator BIDEN. Why the heck do we need all this?

A DEA agent says, "I have a big one. I want the authority to do the following 74 things." We should move on it.

Can he go straight to you, skip down here to the U.S. attorney?

Mr. GIULIANI. That's right, because my district, unlike—

The southern district is unusual. In my district the U.S. attorney runs both the new drug task force and the strike force.

In every other district the U.S. attorney runs the drug task force and the strike force is run out of Washington, so the coordination problem is just not one that affects me in my district, but is one that is of concern in other districts.

And we try to get them to work together when they have cases that overlap.

Senator BIDEN. A New York-based drug operation run by the Genovese family that, in fact, has its main operation in this particular drug effort in Newark, N.J., I assume the Genovese family overlaps into north Jersey? The river doesn't dissuade them?

So now you get a DEA agent or FBI agent or anyone else in Newark and he says, "this is a big one; I want authority to do the following things."

What does he do? Do you get involved at all?

Mr. GIULIANI. It would depend on where it originates.

Senator BIDEN. What constitutes origination?

Mr. GIULIANI. The agent that first learned about the case.

If he was in Newark, he would go to the U.S. attorney's office in Newark or the strike force in Newark and they would initiate the case.

And if the case began to overlap with other districts we would start talking about it, staffing it together, and working on it together, and we have any number of ongoing cases that involve other districts and other strike forces. That is not unusual.

Senator BIDEN. I will not take any more of the committee's time now, Mr. Chairman, but maybe I can sit down with you up here at some time before the summer is over and go into a little more detail about how it works.

Mr. GIULIANI. I would be pleased.

The CHAIRMAN. I understand that New York City is a little different from other States.

The district attorney has both, the strike force and he also has the task force.

Mr. GIULIANI. That's correct.

The CHAIRMAN. In other places the strike force is directed out of Washington?

Mr. GIULIANI. That's correct.

The CHAIRMAN. And the task force is under the district attorney?

Mr. GIULIANI. That's right.

The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Giuliani, recognizing the emergence of the new groups, the Colombians, the motorcycle gangs, et cetera, that are emerging, what steps are you taking at the present time to deal with them, and is there a need for additional manpower to deal with the emerging crime groups?

Mr. GIULIANI. As we start expanding our efforts against organized crime and going beyond traditional organized crime, it is already putting a strain on the resources of the strike force.

There is no doubt about it, whether it is the kind of strike force that I have or that exist throughout the country.

I think it is really important that we do both, however.

We have to concentrate on traditional organized crime. I think we have a real opportunity to end it.

At the same time, we could be ending this old form of organized crime only to find 10 years from now that four or five new forms of organized crime have developed and we know very little about it and we are way behind the curve.

We have to do both, and that is going to strain an already strained group of resources, not just in New York, but elsewhere.

Senator D'AMATO. It is not really possible to think we are going to be able to make the kind of impact necessary to get ahead of the illegal aliens and the flow of heroin from the Colombian connection unless we give it the kind of manpower necessary to do that kind of work.

Mr. GIULIANI. If you have to do both, and right now you are not doing enough of both, which I think is a fair conclusion just given the level of crime that we have in our society, the necessary conclusion is that somebody better take a good look at whether we don't need more.

Senator BIDEN. How come you didn't say that when you were down in Washington?

Mr. GIULIANI. I did, Senator.

I was involved in a proposal that added 200 additional U.S. attorneys, 135 additional support personnel, and 1,400 additional agents to work in the task forces.

I felt that way a long time ago, not just sitting in my present seat.

Senator BIDEN. Sorry to interrupt.

Senator D'AMATO. Quite all right.

One of the successes is the South Florida Task Force.

I take it, it has been quite successful in dealing with a horrendous situation.

Will we have a Federal task force here in New York?

Do you think it is necessary to do something along that line here in New York?

Mr. GIULIANI. Well, we do, and it is not quite yet at full strength, but it is almost at full strength.

We have had over the last 6 months the addition of about 100 Federal agents and 20 Federal prosecutors over and above what existed 5 months ago here in New York to handle the task force cases.

That is enough for now in the sense that it is all you can actually add in a fixed period of time.

As you mentioned before, if we also have to look at new groups and get deeply involved in investigating them, that's going to put a strain on even those additional resources.

Senator D'AMATO. In terms of some of the legislative proposals that Senators Thurmond and Biden and myself have put forth, I am wondering how necessary you think these initiatives are, and

also whether you think the Parole Commission can change its guidelines for major heroin dealers or will that require new legislation?

Mr. GIULIANI. That's really two steps there.

First of all, I support, and I know the Department of Justice has supported for the longest time, legislation sponsored by Chairman Thurmond and cosponsored, I know, by you and Senator Biden to eliminate parole altogether on the Federal level and to substitute fixed determinative sentences.

This legislation has already passed the Senate on at least two occasions, and, hopefully, one of these days it will get voted on in the House of Representatives.

Until that happens, the Parole Board can be a lot stricter with heroin dealers than they are.

We have any number of what I would consider shocking cases of heroin dealers who receive, after trial, sentences of 50, 60, or 70 years and they are released from prison after serving only 10 or 11 years in prison and they are back out on the street in a relatively short period of time after a Federal judge has incapacitated them for life.

The Parole Board lets them free on one-third of their sentence.

Some of the heroin dealers are freed in a shorter period of time than white-collar offenders.

I don't understand why that happens. They have the discretion to change that and should.

Senator D'AMATO. That's a very interesting comment, because I think we are remiss in not urging and being more forceful in seeking policy changes with the Parole Commission. It is not enough just to wait for legislation, which takes quite a period of time, obviously.

Two other questions: Does seizing the assets of organized crime call for a legislative initiative? Also what do you think the result will be if we are successful in passing legislation that improves our ability to seize illegally obtained goods?

As you know, going into legitimate businesses.

Mr. GIULIANI. We have put more emphasis on seizing the assets of the criminals. The RICO statutes—

Senator D'AMATO. The tools are there?

Mr. GIULIANI. The tools are there.

There is some very, very helpful legislation that I know the chairman, Senator Biden, has been supporting in the Senate that permits us to go after the assets of organized criminals even if they invested those assets in legitimate businesses. Legislation that, I believe, passed the Senate last year.

I certainly strongly support that legislation.

Right now there are mechanisms in place for us to seize a substantial amount from both drug dealers and organized criminals, and we are doing it at levels that just didn't occur several years ago.

Senator D'AMATO. That is one of your priorities also?

Mr. GIULIANI. Yes, it is, and it is not unrealistic, particularly if the legislation I mentioned is passed, it is not unrealistic for us to be able to fund the drug enforcement efforts out of the proceeds that we seize. This would be helpful both as a budgetary matter

and it would have a therapeutic effect if we had them paying for our ability to go after them and convict them and put them in prison.

Senator D'AMATO. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

I think that completes our questions, Mr. Giuliani, and we thank you for your appearance here and wish you well in your work up here as the U.S. district attorney for the U.S. Southern District of New York.

Mr. GIULIANI. As usual, it is a great pleasure to appear here and I would like to thank you for taking the time to focus on our problem. Indeed, you can accomplish more than we can by educating the public concerning the problems we have.

Thank you for this opportunity.

[Witness excused.]

The CHAIRMAN. Chief Ciccotelli, will you come around with your group again?

I would now like to take this opportunity to ask some questions with reference to your testimony here today.

Then I would like to allow you time to complete your statement with any comments or recommendations you may have.

Mr. CICCOTELLI. Yes, Senator.

INFILTRATION OF LEGITIMATE BUSINESS

The CHAIRMAN. In connection with the infiltration of legitimate business by organized crime, could you tell the committee exactly how the infiltration is achieved and are you aware of any businesses which are knowingly involved in this in New York City?

Mr. CICCOTELLI. Yes, Senator, there are different ways that the businesses are infiltrated.

Some of them are purchased outright and they need the business for various reasons.

They have to loan the cash. They look to the business that has a lot of cash flow.

They need it to provide no-show jobs so people out on parole can have some semblance of legitimate employment.

They need it to distribute stolen goods.

If they are in the hijacking business, they would buy some sort of distribution network of goods hijacked.

They need it sometimes to gain a monopoly of a particular industry in a particular area.

We have discussed that with the New York State Police a short time ago where they have some illustrations upstate in smaller communities where organized crime figures have gone in and legitimately bought out the private sanitation industry and cut the prices until they drove the others out of business and then had control of the industry in that area.

They get the businesses by default from people that owe them a whole lot of money

They are loansharks and it is not unusual for them to lend a \$100,000 or \$200,000 to people, big businessmen who have difficult cash flow situations and they need that money.

We have seen that some time ago in the garment industry especially and if the guy defaults, they gain control of the business that way.

Then there is the old method, simple armstrong techniques.

The guy walks in and tells you that you have a partner. We have seen those types of methods.

We don't have a listing of all of them, but Lieutenant Murphy has done a little bit of research and he can illustrate some of the businesses in New York City that we see.

Mr. MURPHY. Mr. Chairman, I feel it is fair to say the mob will enter the marketplace anywhere they can make a dollar.

Teddy Persico, brother of Carmine, owns Dak Trucking in Staten Island with Nichol from the Luchese family

The agent of the company is John, Sonny Francese, the acting boss of the Colombo network through frontmen in California and in New York owns Western International Productions, 1412 Broadway and at Sam Golden Productions—he doesn't own it, but Western Productions has an office in Los Angeles, Calif.

Through Melvin Cooper, Sonny Francese also controls Cooper Funding in Brooklyn and Los Angeles.

Sonny Francese's stepson, Michael Francese, owns Lynn Hondas in Hempstead, Long Island.

The consigliere of the Luchese family owns Midtown Collision in Brooklyn on 13th Avenue and 60th Street and also has a controlling interest in the 19th Hole Bar & Grill, a meeting place for all five organized crime families in New York City.

In the Luchese network, the Paul Vario group controls over 14 dismantling units. One is the Fountain Auto Parts run by John and Charles Coliglia.

Caslica also owns—runs and controls its operations in the Flatlands Bar & Grill on Flatlands Avenue.

Mario Ianello owns a corporation on West 50th Street and Prause Security Control Devices.

Senator BIDEN. Security Control Devices?

Mr. MURPHY. They took it over from inventors, the Miller brothers, several years ago.

Ianello is famous for his entertainment in the Midtown area and owns Casino Tours operated by Frankie C, owns Consolidated Carting on West 50th Street.

He has a controlling interest in Levy Talent Agency.

Sal Catalno acting underboss of the Bonano family, owns Catalno Bakery in Ridgewood.

Walter Bonano owns Waldo's Fourth Avenue Market on Second Avenue and Ianello owns Tony's Pizzeria and several other pizzerias in New York and Caesar Carvento owns Cafe Caesar on 71st Street in Brooklyn.

Paul Castellano, the boss of the Gambino network, through his son, Phillip, owns Scara Mix, a cement company on Staten Island.

Joseph Arcuri of the Gambino family owns Arcuri's Wines & Liquors on East 78th Street in Manhattan.

Paul Castellano has had a very heavy interest in the meat industry and owns quite a few of the businesses and some of the ones more familiar are Western Beef and Dial Poultry in Brooklyn.

That's the list I have at this point, Mr. Chairman.

The CHAIRMAN. That's very interesting and very helpful.

Would you describe the illegal influence that traditional organized crime maintains over the carting, the commercial carting industry in New York City?

Mr. CICCOTELLI. This is a classic case of longtime control.

It is so apparent that when you look at it even from a distance, you can see different stops within the same block handled by different people.

There are different stops and nobody ever fools with those stops. Those are understood to be certain people's stops.

There is no competitor. Every once in a while there is a maverick and they are dealt with.

We have a long history of violence in that industry; burning of trucks and shooting.

They are especially active in the union and I would like to refer to Lieutenant Murphy.

Mr. MURPHY. The control over the companies itself, it is coordinated at 61 Catherine Street in Lower Manhattan, the trade organization.

The head of the organization is Jimmy Brown and James Fiallo. He is a capo, a capo in the Genovese family, Tommy Catalvo also.

In addition to controlling the companies, organized crime controls the union that represents the labor force in the private sanitation industry.

Local 813 of the International Brotherhood of Teamsters, through Van Edelstyn has, for many years, been involved in a corrupt alliance with organized crime.

In 1977 when two men attempted to form a breakaway union against the wishes of local 813, bodies of both of them were found in the trunk of an automobile at John F. Kennedy Airport.

We see that organized crime is getting into the area of toxic waste using their connections in the garbage industry to dump millions of gallons of dangerous chemicals into the local waters, sewers, and public landfills in the metropolitan area.

The CHAIRMAN. How does organized crime make use of legitimate frontmen in the operation of their business?

Mr. CICCOTELLI. I think so many of the classic cases have been told trying to infiltrate the business like Las Vegas casinos, using frontmen.

I know this is dragging on a little long.

This is one classic case we ran into which I would like to illustrate.

There was a nursing home in New Rochelle and it was a legitimate nursing home.

At the same time the homicide task force and death bureau was working in conjunction with the Bronx district attorney and had a number of apparently organized crime connected homicides open cases and was trying to solve them.

They got the idea of focusing their attention on two major figures, John Pastadino and Ralph General Tatino and they thought by following them and doing elaborate workups on their everyday activities they could find the weak link.

The target was never realized.

They thought if they put enough pressure on him, he would flip, give us some information, but it never occurred.

Out of that grew an investigation, and it was a widespread investigation conducted, but at some point you have to conclude it and make arrests.

As Joe Lamendola concluded before, you can go on and on with these things.

I will isolate the one section of that investigation, the nursing home case.

General Tatino got out of prison on parole and he needed some employment, so he had a location on City Island that owed him money.

He was in the loansharking business and apparently the owner of Chris Craft Boatyard allowed him to use office space in the boatyard and log him in as a salesman and paid him a check of \$500 which gave him a legitimate business to go and talk to his parole officer about.

He gave the man back the \$500 a week in cash, which was documented later on.

This investigation resulted in close surveillances and wiretaps.

As he is working up there, collaterally there is another situation developing in New Rochelle with the nursing home.

A man who was a kind of troubleshooter, a doctor from the nursing home, from a Chicago firm, a legitimate nursing home ownership firm throughout the country, sends this doctor into town as a troubleshooter and to look at the New Rochelle Nursing Home and see if it is being mismanaged.

As he tries to straighten it out, he sees it is a viable investment for himself.

He makes an offer and puts \$50,000 in escrow with a bank in Queens and gets a \$4.9 million loan and purchases the nursing home.

His limited resources and cash flow and lifestyle came into it and put him into short cash.

He also had a boat that he owned that was purchased at the City Island Boat Shop.

In being aware of this situation at the City Island Boat Shop, this owner, who was himself indebted to Ralph Tatino as a loanshark leads the doctor to Ralph Tatino.

He lent him money too.

The loanshark had two guys on the hook, the owner of the City Island Boatyard and the doctor.

In doing surveillances, we do routine checks and we check the license plates.

We found that the general, Tatino, was driving a Cadillac registered to this doctor.

We started doing the lifestyle on the doctor and surveillances.

Finally what we did find out was that the doctor owed him some \$300,000 and Tatino wanted to get involved up at the nursing home because he saw all the ancillary services, vending machines, linen services, the union that was providing the care services up there.

He saw it as a great bonanza, but the doctor was able to talk him out of it because they were at this time being brought under the

scrutiny of the prosecutor examining New York nursing home operations.

Tatino never did get involved, but it is an illustration of how he could have.

To give you an idea of how it worked out: The doctor paid a lot of fines to New York State for improper management.

It is still a very viable commodity; 200 plus beds up there.

He owed \$3,400,000 for about 3 years, paid back about a million and a half and still owed the \$300,000.

Senator BIDEN. Are you talking about the Chase Manhattan Bank?

Mr. CICCOTELLI. No, the general.

He borrows money at one point.

One point is 50 percent a year.

One point is about 1 percent a year and puts it out between 3 and 6 points, which is a great way to invest money.

That is just one classic case of how they use a legitimate business and how they get their hooks into it.

The people are up against the wall and owe a lot of money.

That's really how it was brought about.

CONSTRUCTION COMPANIES

The CHAIRMAN. Chief, in your testimony you mentined traditional organized crimes involved with construction companies.

What is the extent of that involvement in this particular industry?

Mr. CICCOTELLI. Now once again, my intelligence expert Lieutenant Murphy.

Mr. MURPHY. Perhaps I can illustrate by naming a construction company and the extent that the business, they do in the union, and the importance of the union.

Vincent Dinapoli is a capo in the Luchese family and owns Central Intercity Drywall Construction, which is the main one, on Eastchester Road in the Bronx and in New Rochelle.

They have done very large contracts for HUD and quite a few rehabilitation projects in the South Bronx.

It is estimated that he does several millions of dollars per year in the South Bronx in business.

On the union side there are quite a few unions in New York that are controlled or influenced by organized crime.

Local 282 of the International Brotherhood of Teamsters is controlled by the Gambino family through John Cody, who, I believe, is now in jail.

This local delivers building supplies to construction sites in the metropolitan area and because of that, the people who control the union can bring much influence against the contractors and construction sites in New York City.

MOVIE PRODUCTION

The CHAIRMAN. Chief, in the report you have submitted to the committee, it states that the traditional organized crime is involved in the production of movies for television.

Would you elaborate on the extent of that involvement in this area?

Mr. CICCOTELLI. Yes. I don't want to give an unfair impression that organized crime runs TV or movie production on a widespread basis.

That was simply added as an illustration to show the diversification to which their efforts apply. Western International Productions—that is another area they invest in.

The CHAIRMAN. Chief, why haven't arrests and convictions incurred by the membership of traditional organized crime families here in New York City affected their media operation?

Mr. CICCOTELLI. That's not absolutely true.

They have affected the daily operation in particular areas causing them to be more clandestine, causing them to exercise a lot more caution.

As we get them into it a little bit and show that they are vulnerable—

The real reason is that there is so much money to be made, they are not about to abandon the effort too easily.

We have to keep getting the major actors and making the arrests.

They have a strong bench. They have a lot of people waiting that can handle it.

A lot of them can continue running operations from jail and it is only the extreme continued effort on our part that will be able to affect the operations.

I am not saying we can't, but it is difficult and a sustained effort, not just a flash in the pan.

The money that could be available to them makes it worth the risk to continue even as we are making strides.

The CHAIRMAN. Chief Ciccotelli, in comparing the information that you have presented today concerning the structure of the five organized crime families in New York City with some of the testimony previously seen by this committee, I observe some slight differences between the two in positions held by certain individuals of the hierarchy of these groups.

Would you explain the reason for these differences to the committee?

Mr. CICCOTELLI. Yes, Mr. Chairman.

Some of the reasons could be the different perceptions that occur in different jurisdictions.

A man who has a particular role in New York City might have a different role either, more or less powerful, in New Jersey.

That is not really an inconsistency.

Some of the other inconsistencies are natural and I don't think I am exploding any myth when I can tell you amongst our experts we will argue about who is higher in ranking.

I think that substantially for the arrest and prosecution, it is not important.

We have established a conspiracy.

We have established that these men are ranking members.

Whether one is a little bit ahead of another one is not really significant, Senator.

LABOR UNIONS

The CHAIRMAN. Chief, what is the extent of traditional organized crime's control in labor unions and can you cite some examples for the committee?

Mr. CICCOTELLI. Yes, Lieutenant Murphy.

Mr. MURPHY. The extent is widespread.

Through unions, organized crime shares in corporate profits and affects the price and availability of many products that American consumers buy every day.

They use tactics of extortion, corruption, skimming of Treasury funds, pension and welfare funds, collusive contracts, sweetheart deals, padded payrolls, and phony loans.

I can name some unions that exhibited this behavior.

Teamsters Local 282, Carmine Romano and Peter Romano, are both in jail right now. They are 2 of the 45 people indicted in the *Fulton Fish Market* case that the chief mentioned.

They ran the Seafood Workers Union 359.

Local 272 is controlled through the Genovese family by Serano. In International Brotherhood of Teamsters 560 is controlled by a man in jail on homicide charge, Tony Pro, the union still being run by his relatives.

Anthony Scotto, a capo in the Gambino family, he is in jail, president of local 814.

Joe Gallo, consigliere of the Gambino family has a heavy interest in the International Ladies' Garment.

The airline handlers is controlled by Teamsters Local 285 by Harry and Mark Davidoff.

Senator BIDEN. Can I stop you there?

Is that the local that controls all the airline handlers?

Mr. MURPHY. That's correct.

Senator BIDEN. How does that interface with the difficulty customs has in interdicting drugs coming through?

Mr. MURPHY. I am not familiar with any drug cases involving this union.

Senator BIDEN. If, in fact, you said that Gallo—

Mr. MURPHY. Joann Gallo, IGLWU.

Senator BIDEN. Who is the family on the airlines?

Mr. MURPHY. Harry Davidoff and Mark Davidoff.

They are not members of organized crime. They control the union for organized crime.

Senator BIDEN. Is it making too much of a leap in logic for me to think that because organized crime controls the union that controls the flow of goods from the belly of airplanes into New York City that it would impact upon your ability to make major drug cases?

Mr. MURPHY. It could, but the members of the unions are the victims.

They are the ones whose funds are being stolen.

They are the ones whose representation—

Senator BIDEN. That's a good way to put it. Just to make sure I understand—I'm sorry for the interruption.

Does control of the union mean in the case of the Freight Handlers, does it mean controlling the individual union members to do

what they are told or does it mean controlling their pension fund and the decisions relating to what that union will do?

It is a distinction with a difference.

Mr. MURPHY. I understand the difference.

When I spoke about the huge profits from organized crime, I meant the control of the funds.

However, there are several investigations which would illustrate that the airfreight handlers and the relationship of their union with organized crime has caused a loss of property at the airports.

Mr. CICCOTELLI. If I might interject, to be more specific about your question, I understand what you are getting at and I think we can make a general comment about it, but on a case-by-case basis with Lieutenant Ferguson, I would say that we have seen evidence that control of the union allows them to, perhaps, put an employee in a sensitive area at the airport.

The idea that the union members are corrupt is not a valid one, but some control of the union to allow them to get someone strategically employed is a valid thought.

Mr. KELLY. If I may, at the present time there is a confidential informant used by Southern District. His name has been in the newspapers in the famous *Lufthansa* case at Kennedy Airport.

He informed us—there were several people sitting at the table—that he, himself, participated in over 30 armed robberies at Kennedy Airport because of the collusion, the people who worked in the airfreight industry—members of these unions—Lieutenant Murphy illustrated.

Senator BIDEN. I, as a member of the Intelligence Committee, cannot discuss certain information or sources and methods—something you fellows understand well. However, we know some airlines have trafficking capability, use of computers, and have been alleged to be under the control of organized crime.

That's the reason I pursued this so much about the unions.

I mean, the combination, if it is true, of being able to impact upon trafficking of the airlines themselves coupled with the ability to impact upon the movement of freight is an important choke point in interdicting drugs into New York.

I won't interrupt again. I thank you.

ILLEGAL STATION ALIENS

The CHAIRMAN. Chief, in your testimony you mentioned that traditional organized crime is utilizing illegal Italian aliens in conducting their day-to-day operations.

What role do these individuals play in this area?

Mr. CICCOTELLI. That's true.

We see them playing an increasing role, hit men, narcotics smugglers, and couriers for money and information.

It seems they are more like the old line, steep in tradition, being brought up in the Italian ways.

Lieutenant Ferguson can give us some specific examples.

Mr. FERGUSON. We find, Mr. Chairman, that these Italian aliens are being employed in various pizza parlors in the metropolitan area and, in fact, on the whole east coast.

They are transient, and pizza parlors are used as a means of justifying and legitimatizing these illegal aliens.

Recently we had discussions with Italian authorities who made a trip over here to discuss specifically killings that were occurring here in Brooklyn and killings that occurred in Italy as it relates to narcotics traffic.

The CHAIRMAN. How do they smuggle narcotics into this country?

Mr. CICCOTELLI. I would like Mr. Ferguson to answer.

Mr. FERGUSON. There are so many ways they use to smuggle narcotics into the country, particularly heroin.

We have a few examples: Body carrying, both internally and externally; concealed in various items, olive oil, cans, cars, luggage.

I would venture to say at this very moment they are thinking of different ways to get the stuff in right now.

PORNOGRAPHY

The CHAIRMAN. Chief, you mentioned in your report that the Genovese organized crime family is involved in the pornography shops in Times Square and that the Bonnano group is involved in the production of hardcore pornography home movies.

Is there any intelligence information available which indicates that this activity includes child pornography?

Mr. CICCOTELLI. Not directly, but we feel certain they are.

We see Ianello from the Genovese crime family with extensive holdings in topless bars, live sex shows, and things like that.

We see the old Mickey Soprano crew that carried on after his demise tied to the Bonnano family and Vincent Asario very heavily involved in the porn industry.

Our investigations have been difficult to mount in terms of child pornography. They deal in it very carefully and cautiously.

The child pornography we have seen lately has been of the quality and the content has been such that it parallels the adult pornography we have been getting.

The child pornography never reached that stage before.

We understand about the differences in price. You can get four or five times the cost for a piece of the child pornography compared to the same piece of adult pornography.

Understanding that, we feel certain there has to be organized crime involved, but I can't say.

Senator BIDEN. Child pornography sells for more than adult pornography?

Mr. CICCOTELLI. Far more.

The CHAIRMAN. Any indication that they are coming from overseas?

Mr. CICCOTELLI. We have no direct evidence.

We assume it must be because of the nature of the involvement and other facets of pornography.

We imagine they must be into it, but have no direct evidence.

The CHAIRMAN. Do the five traditional organized crime families in New York City operate independently of one another or do they tend to cooperate in the furtherance of certain criminal activities?

Have you observed any evidence of interaction between the traditional organized crime groups and other ethnic criminal organizations?

Mr. CICCOTELLI. Yes; we have had some cooperation and interaction between the Italian and other groups. Lieutenant Ferguson does most of the analysis on this.

Mr. FERGUSON. The first part of that question is traditional organized crime groups—is that cooperation between the groups.

Although we put them into certain families and make charts, those charts are not rigid.

The cooperation is mutually beneficial to all concerned. They will cooperate right down the line.

So far as the cooperation between other ethnic groups, again we go back to the bottom line which is the dollar and that is what they are there for. They are there for. They are there to make money.

We do see interaction between traditional organized crime and ethnic work organized crime groups, especially in the area of narcotics and in gambling.

The CHAIRMAN. Are these emerging organized crime groups likely to become as powerful and widespread in their operations as traditional organized crime?

Mr. CICCOTELLI. That's kind of hard to say.

We certainly see them growing in the inner-city areas within our city and they are showing some of the traditional methods the old five families have used.

The heavy narcotics trade they are involved in gives them a great deal of operating capital and showing diversification in that area too.

Their operations are becoming more sophisticated. They are not just always working for the Italians or not just at a lower level. We see them rising up.

There is good reason to be fearful that they might become powerful, but it is hard to say at this point.

OFF-TRACT BETTING

The CHAIRMAN. Has the legalization of gambling in New York in the form of a State lottery, numbers, off-track betting had an observable impact on organized crime controlled gambling operations?

Mr. CICCOTELLI. In terms of the Off-track Betting Corp., I would say it has had some impact, not really in terms of depriving them from a whole lot of income, but in terms of directing their attention to other activities.

When we make wire room arrests, we see the preponderance of the play being sports betting.

Years ago you would get horse betting and sports betting.

We tend to think that a whole lot of people who are betting horses are going to the Off-tract Betting Corp.

The situation with a legalized numbers—I think what is happening, there is a whole lot of people that didn't bet at all, and will but at a place that doesn't stigmatize them when they walk in.

A lot of people never involved before are getting involved in it.

Understanding where the number comes from, because it is important.

If they are talking bets on the same number, then they might have a better chance of getting inroads into the capital of organized crime.

What happens, you just give the better one more place to bet his number

We don't see any appreciable difference in the low-level gambling activity that has been engendered since we have had legalized numbers in New York City.

The CHAIRMAN. Has the legalization of gambling, in your opinion, from your experience, increased or decreased organized crime operations?

Mr. CICCOTELLI. As I said, we don't see any appreciable difference overall.

The CHAIRMAN. Chief, you indicated in your report that the Cuban organized crime group has gained increased control over the gambling activity in some areas of New York City.

Why do you believe they have been so successful in taking control of illegal activity traditionally dominated by the Italian organized crime families?

Mr. CICCOTELLI. I think there are several reasons.

First of all, I don't think it is a complete severance and complete takeover.

I think at the upper levels there are probably still laying off in the regular organized crime betting system.

I think that ethnicity has a lot to do with it.

In dealing with other hispanic groups who predominate in those areas and for that reason, they make inroads.

The next logical question would be: Why does the Italian organized crime use violence to maintain control.

I think there is enough to go around for everyone. There are so many spots out there. It hasn't reached that level.

I do see them involved in a whole lot of traditional Italian organized crime.

The CHAIRMAN. Of all the groups that you have mentioned to us today, which group do you feel is engaged to the greatest extent in the drug operations?

Mr. CICCOTELLI. The Colombians.

You mean, all the groups counting the Italians?

The CHAIRMAN. Yes.

Mr. CICCOTELLI. In terms of heroin, Italian groups.

In terms of cocaine, the Colombians.

The CHAIRMAN. Can you explain the reason for the extensive violence perpetrated by the Chinese gangs?

Mr. CICCOTELLI. They are a little different situation.

They are a territorial ethnic-related group and they seem to have their criminal activity aimed only at the Chinese group.

Even when the Chinese community spread out of Chinatown because of limited living space, we see some of those activities being pursued in the other communities.

They have used the violence as an effective tool in maintaining that turf.

Theirs is a very geographic and turf organized crime.

In maintaining that turf, when you do use the violence, you get into the situation of retaliatory rage.

The unfortunate part, this wonton type has resulted in the killing of innocent bystanders.

TRIADS CRIME RING

The CHAIRMAN. Is there any estimate available as to the number of made members in the Chinese organized crime ring known as the Triads in New York City?

Mr. CICCOTELLI. No; we don't have any estimate.

We do know from one authoritative source, they have indicated there is some 80,000 members in China.

We have seen evidence that the Triads are here.

We have seen some of the ritualistics.

We don't know which are legitimate members or which are those in the Chinese community who are trading on the fear that exists because of their presence to foster their own purposes.

We have no real estimate of how many Triads are in New York.

The CHAIRMAN. Chief, do the resources available to your department to regulate the illegal activity in the massage parlors dominated by the group allow you to enforce this activity?

Mr. CICCOTELLI. I think the laws are available to us, but the real problem is not the law.

The real problem is to give significant penalties for prosecution.

They don't see it as an important crime.

I think if people understand the connection and the degradation of society because of these things, they might get a little more upset on that.

A lot of effort is expended on making prosecution arrests and very light, if any, penalties are given.

The CHAIRMAN. Chief, considering the pervasive nature of organized crime and its impact upon our society, would you highlight for the committee resources which have been committed to combatting this problem by your department and what additional resources are needed in this effort?

Mr. CICCOTELLI. In a simplistic fashion, we could say that we committed 1,000 men to it, but that is oversimplifying it.

Those 1,000 men have other duties which are really not the type we are talking about here; directly going after organized crime figures.

Within those 1,000 people we have to enforce the laws of street prostitution, low-level operational laws, low-level gambling laws connected to organized crime, but that is not the image we are giving here, attack on major figures.

We have a number of people assigned to those pursuits.

In our narcotics division, we have 500 investigators assigned; almost 100 assigned to our New York joint task force with the DEA: 175 assigned to public morals and 90 in our autocrime division.

If you take a few out of the public morals, some 30 or 40 people are assigned to the low level violations and 100 people out of the Narcotics Division, they are assigned to the low level violations.

All of our other personnel within the Organized Crime Bureau are aimed at developing major cases against major violators.

In addition, we have an arm within the Organized Crime Division and a syndicated division over there and their whole activity is gathering intelligence.

We have the chief of the detectives' office with their homicide, organized crime homicide task force that has a number of people engaged in the solution or examination of organized crime homicides, so that all told, we have about a thousand people within the New York City Police Department working in that pursuit.

If you ask about what we need—I think what we need is obvious.

In the Organized Crime Control Bureau, we have an operating budget of about \$2 million exclusive of personnel cost.

Personnel cost are our most expensive item.

We can use more money to run investigations, but most of all, we need more personnel and giving the constraints within the city to police officers on the line and preventing street crime and making apprehensions for the street criminal and providing answers to calls for assistance, what could happen—and I am just reaching—if the Federal Government somehow provided for personnel to be assigned specifically to organized crime and picked up the tab, if the Federal Government picked up the tab for narcotics—it is not a home grown problem.

We are suffering from what is coming in on us.

If the Federal Government can pick up the cost of those, in theory, we can hire more people and more people can be assigned from within our department for these pursuits.

The CHAIRMAN. How many people have you now in your organized crime section?

Mr. CICCOTELLI. About 1,000 sir.

The CHAIRMAN. Senator Biden?

Senator BIDEN. Thank you.

Allegedly, Chief, that is what the new task force approach is supposed to do, not give you money for personnel, but provide additional personnel who will be doing the same thing you are doing.

As you might have observed by now, I am oftentimes characterized as a skeptic about the likelihood of great success with this task force.

I have a slightly different impression of the south Florida effort than the Senator from New York does and others do.

I believe it is not nearly as successful as advertised and that is from talking with people in south Florida, including some of those in the task force. That is another problem.

Let me pursue two lines of questioning with you and I will try to limit it to 10 minutes.

I would like to question you on the degree of cooperation that exists between you and the various Federal agencies.

I don't mean the intent to cooperate well.

I will start off with the assumption that you are going to tell me that there is a desire on the part of everyone to cooperate and cooperation has increased.

I think, at least, that has been my experience across the country.

I wonder whether or not the resources that are available to your Federal counterparts to the degree that the cooperation can exist as much as we advertised it—

Case in point: Customs.

It is my understanding that New York police officers, on occasion, have boarded vessels in the New York Harbor to search for drugs.

Is that true?

Mr. CICCOTELLI. Yes, sir.

We have done that, and we have gone on board and searched airplanes, not on an extensive basis, because of our limited personnel, but we have done it.

We have trained 20 people at a time—

Senator BIDEN. Why have you had to do that?

Isn't that the function of Customs?

Mr. CICCOTELLI. It is, but in a way of cooperating with them and supplying some resources that they don't have. It is in the spirit of cooperation.

Senator BIDEN. Resources that Customs doesn't have?

Mr. FERGUSON. Yes.

Senator BIDEN. Has there been, in the last 5 years, just to pick a timeframe, a decrease in the available resources of Customs?

Has it affected you?

Do you sense that you have more or less help from Customs?

Mr. CICCOTELLI. I am really not competent to answer that question.

Senator BIDEN. Are anyone of the gentlemen in that position?

Senator FERGUSON. They have had some decrease in their manpower because of shifts to take people from New York and put them in Miami which shortended up what they had available here for their search crews on ships and airplanes.

We have worked a number of other cases with them.

What they have asked us to do is train some of the people in the techniques used in searches of ships and airplanes, which we have done, and periodically whenever they have a ship or an airplane they have suspicions about, they will call us and we will send people out there and work together as a joint crew.

Senator BIDEN. I would like you to comment on my observation, and tell me whether or not you think I am wrong on this.

Since I am not the Senator from New York, you don't have to worry about offending me.

That seems to me to be a slightly askewed priority.

Here you are, the city just having climbed out of bankruptcy in the last decade with half of America's problems dropped on its doorstep not as a consequence of anything that New York has done, but as a consequence of the lifestyle of this country and the significance of the city.

And, Customs, the Federal agency, which is part of the total Federal budget of \$850 billion is asking you in New York City to train people in techniques to be able to do a job which I thought we designed Customs to be able to perform.

Is this reverse aid?

Mr. CICCOTELLI. I think it is part of the picture.

I think that is only part of the picture.

You are talking about one isolated circumstance where we happen to be the donee, if you will, of the aid.

I think it is a mutual cooperation that has existed in many areas.

Senator D'AMATO. I would ask my colleague if I might, at this point, Chief, in touching on this mutual aid situation, I understand the DEA is supporting some overtime expenditures for about 90 of your people; is that true?

Mr. CICCOTELLI. They have paid the overtime bill, yes.

Senator D'AMATO. This is not one-sided and I think we have to make more of an effort in terms of law enforcement. I have proposed a package of in \$500 million in support of this effort. It is just a beginning, but it is the best money you could spend, for more agents, more prosecutors, right up and down the line, and more judges.

Joe, you helped me and voted with us to provide funding to reimburse the States for the cost of incarcerating illegal aliens who find themselves in our State penitentiaries because our prisons are bursting and because this is not merely a local problem.

There is this cooperation, which is important. I think it is important that we focus attention on the need for the combined resources of the Federal, State, and local governments.

Law enforcement is, again, primarily—and I am not attempting to underplay the Federal responsibility—a local problem.

We also have to talk to the chief about another serious matter, although I don't want to make it a subject of this hearing. I am referring to the need to do something about 500 or 600 or more known smoke shops operating in the city and taking in \$500 or \$600 or thousands a day and straining local resources even more.

It will be Federal, State, and local level that have to get coordinated here.

Sure, we need more in the way of resources.

We have to be very careful in the way we approach this.

This has been taking place over a number of years.

In 3 years in one part of Queens County, of a total arrested, of 728, 427 were illegal aliens. Two million dollars and 727 pounds of cocaine were seized in one small part of Queens County alone.

You are talking about the emergence of new groups. They are out there and were are way behind in our efforts to track them down.

I yield back to my distinguished colleague.

Mr. CICCOTELLI. To continue along with that train of thought, with Customs, specifically, not dealing with any other Federal agency, they have helped on a lot of things. They have helped us with the dogs, the narcotic sniffing dogs.

We have combined operations with them of mutual interest.

The facilities they are lending—

Senator BIDEN. Do you think Customs should have investigative authority as an agency standing outside looking in?

Mr. FERGUSON. That is a matter of Federal regulation. I'm not sure I can get on that.

Senator BIDEN. You guys should be on the State senate.

I thought I had some good hard-nosed cops out there.

Now you are being so diplomatic.

Mr. FERGUSON. We have no problem working with Customs or the DEA. We work well.

I think one of the points to make, when we do the joint operations and searches of aircraft, we feel it is a lot easier to put 10 guys on a ship and come out with 10 kilos of heroin or cocaine and stop it before it gets into the street where we all have to commit 2 or 300 people to try to recover it.

Senator BIDEN. That border is our responsibility at the Federal level. That's not your responsibility.

Mr. FERGUSON. We don't go out into the harbor.

When it ties up here.

Senator BIDEN. I understand. Everybody is walking on eggs here.

Mr. FERGUSON. It is a cooperative thing. It is a situation where we try to cooperate with everybody.

Senator BIDEN. I want to cooperate with everybody here.

Let me make my point another way.

The Senator from New York may be aware, even though I am a Democrat, I was very critical of the last administration for lack of effort.

I have been totally bipartisan that neither administration knows what the heck they are doing in making the necessary commitment to fighting drugs and organized crime.

It seems absolutely unnecessary to me that while we are waging wars on narcotics, we cut the number of customs agents.

No matter how you cooperate, captain, or lieutenant—I don't want to demote you. We can start off with captain.

Mr. CICCOTELLI. That can change by the time we are through.

Senator BIDEN. We should at the Federal level, be doing a lot more and we are not. In my view, we aren't doing enough.

I don't want to beat it to death.

I am not trying to make a record that will cause any problems for you all.

I am trying to find out whether or not you have from customs the desire and ability to help.

I am convinced that the desire is there and the cooperation is there, but whether or not with the desire comes the capability.

On my own, I have made two forays to meet with the customs people at Kennedy, just to ask questions.

One was coming in on a flight back from overseas, from the Foreign Relations Committee in Hamburg, Germany; I made it a point to spend an hour and a half.

They said they are swamped. They say, strapped, getting the hell beat out of them. The can't possibly win.

That's what they tell me.

When I have the head of Customs come before us in Washington I get, no, the amount of resources that have been delegated to us are sufficient under the circumstances.

I am tying up the committee too long.

I will ask one more question and then I will stop.

With regard to cooperation, one of you mentioned the fact that you had cooperation with some of your Italian counterparts who have come to the United States.

Last November the Attorney General of the United States, William French Smith, made what I think was a significant achievement.

He signed a treaty on mutual assistance between the United States and Italy.

Although that treaty hasn't been presented to the U.S. Foreign Relations Committee for ratification, I believe it holds promise for facilitation investigations for organized crime activities within the United States which have connections in Italy.

It would, for example, permit the United States to ask Italy to question individuals in Italy who have interests in criminal investigations that are taking place here in New York City.

Now, as to your being able to ask, through treaty capability, for your Italian counterparts to detain and question an individual within Italy on investigations that you have underway, as happens now through cooperation, would that capability be just window dressing?

Mr. RYAN. Anything that makes it easier to do investigations and cuts through redtape will make our job easier.

A treaty like this would do just that; make our job easier.

Senator BIDEN. Thank you, fellows.

The CHAIRMAN. Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman. Heroin trafficking, has it gone up or down in the last several years?

Mr. CICCOTELLI. It has gone up a little, we think. It's hard to say. It's really hard to say. Dennis?

Mr. RYAN. It's difficult to say. We are getting so much cocaine.

Senator D'AMATO. Cocaine has absolutely skyrocketed.

Mr. CICCOTELLI. Dennis can comment on whether heroin traffic has gone up.

Mr. RYAN. We have seen an increase in the amount of heroin available on the street, not a tremendous amount of increase, but there has been an increase continually in the same neighborhoods traditionally known as very heavy heroin areas.

Even when there are significant arrests when we seize kilos, the DEA 20 kilos, we don't see a shortage immediately thereafter.

You would think if you seize that much heroin out of a neighborhood you would see that it would dry up and it would be difficult to purchase heroin.

We have not seen that to be a realistic thing.

The amount of heroin available has increased because we know that the prices remain constant and even in some cases has gone down.

We have seen, as I say, even after significant seizures no real shortage.

We know after a big seizure just recently one of our undercovers was discussing the availability of some heroin with some heroin dealers, and they will say, there is plenty of heroin available in the city, but because things are hot, we won't move it for 3 or 4 days.

We know it is there and we know it is coming in and there is no shortage.

In fact, there has been an increase that has to do with very many things, but including better harvest, shipment, and better organization.

Senator BIDEN. We measure overdose deaths nationally; the fact is that in New York City they are way up.

From 1974 to 1981 the figure has gone up from 246 to 520 and a slight increase in 1982.

Purity is up.

Mr. RYAN. Purity is up.

Senator BIDEN. And the price is constant.

If any place responds to the marketplace, it is heroin.

I would think you are right in saying it is up and not down.

Mr. CICCOTELLI. I didn't mean to give you the impression that it was down.

We have to deal with the street situation.

We are looking at people on the street.

There seems to have been periods of time when you see more junkies nodding on the street and it doesn't appear to have dramatically changed.

I am aware of all of the statistics you cited, the overdose deaths and all that.

Mr. Johnson, the special narcotics prosecutor, makes that same case; we are dealing with from our enforcement efforts, we don't see that kind of gross increase.

Senator D'AMATO. Thank you, Mr. Chairman.

I have no further questions.

The CHAIRMAN. Chief, do you have any other comments you would like to make or any recommendations that you feel would help this committee?

Mr. CICCOTELLI. I do, Mr. Chairman.

While this presentation is intended to illustrate the depth and breadth of organized criminal activity in our society, the fact that a great deal of space is devoted to a wide range of organizations should not lead to the conclusion that the traditional Italian families and the organized crime networks are going out of business either by choice or by force.

To the contrary, those involved are continually diversifying and expanding their spheres of influence.

The emergence of the other groups is attributable to the enormous profits available in the continuing criminal enterprises which have been discussed.

There is no way to adequately estimate organized crime's gross national product nor are there any adequate means of estimating its impact on the economy of this Nation.

Another assessment difficult to establish is that of determining the impact of their activity upon the very fabric of our existence.

How much does the proliferation of narcotics, gambling, pornography, and prostitution affect the quality of life in the United States?

What is the extent, in terms of cynicism and mistrust, that the corruptive influence of enforcement officers and public officials engenders?

What is the impact upon the job market of their monopolistic control of certain businesses or industries?

What is the price paid by the small businessman who must cave in to their demands of extortion?

We will never fully know the answer to these questions.

While the problem of combating these formidable enemies seems insoluble, those of us in public service simply cannot adopt a posture of capitulation or even one of benign neglect.

The little we have achieved thus far has served as a buffer to even more disastrous effects.

In the way of recommendations, I might suggest that the task is great, complex, and virtually beyond the reach of any single arm or level of government.

Recent pronouncements at the Federal and State levels give rise to the belief that the time for a major, cooperative offensive is at hand.

Cooperative is the key word.

The State and Federal agencies could not possibly assume the burden in every community throughout the Nation plagued by this blight.

Local enforcement agencies, already under pressure to provide adequate service in the battle against violent street crime, find themselves hard-pressed and unable to assign the number of investigators necessary to carry on this resource consuming battle against organized crime.

The logical emergence of joint task forces and joint operations have been born of the needs articulated above.

The New York City Police Department is currently a part of a Drug Enforcement Task Force which includes members of the New York State Police and the Drug Enforcement Administration; with the Federal Bureau of Investigation, joint task forces have been established to combat major organized crime networks, to combat organized auto theft, to combat pedophilia and child pornography, to combat organized terrorist activity, and to combat bank robbery.

We are engaged with the U.S. attorneys of the Eastern and Southern Districts of New York and with the Organized Crime Strike Force of the New York State attorney general's office in cooperative investigations.

We are conducting operations, on a continuing case-by-case basis with Customs, the Immigration and Naturalization Service, the Internal Revenue Service, and the State Tax Commission and City Department of Finance, with the Bureau of Alcohol, Tobacco and Firearms and with neighboring local enforcement agencies whose investigations disclose activity in New York City.

Recognizing that every time a task force of joint operations is embarked upon, there are reservations on all sides regarding informational security, investigative motivation and competence, and proper recognition of contribution for results achieved.

In spite of all of that, it is still worth the effort and the only really effective way to approach the problem.

Benefits derived from the sharing of information and resources far outweigh the risk of breaching security or the occasion of petty jealousies.

It is recommended that this tactic be expanded and adopted in other jurisdictions.

In order to invoke the maximum penalty against those whose longtime criminal activity has provided them, and their families, with great wealth and, in some cases, respectability, imaginative prosecutorial and forfeiture proceedings should be considered at

the start of every major investigation and specific plans drawn to establish facts to assist such actions.

A determination of illegally obtained wealth should be made, evidence of conspiracy documented and the identification of behind-the-scenes partners established.

A mere slap on the wrist in terms of incarceration in a minimum security facility or a monetary fine is insufficient punishment for such activity and will do little to disrupt operations or dissuade others.

A viable means of achieving these goals is through the Federal RICO statutes and in some States, including New York, are now in the process of developing their own statutes of that nature.

Action must be civil as well as criminal.

Obtaining tax judgments, local and Federal, is an integral part of this strategy.

Public exposure should not be ignored. These criminals and their families should not be allowed to enjoy the respectability resulting from anonymity.

Finally, all public officials, in discharging the mandate of concern for public welfare which attaches to each such office, must be outspoken against all facets of organized criminal activity.

The public must be made aware that there are no victimless crimes and that these are not merely extraordinary business practices.

Total support, both fiscal and moral, must be marshaled if this menace is to be defeated.

Mr. Chairman, thank you. That's the end of my statement.

The CHAIRMAN. Well, Chief, I want to take this opportunity on behalf of the committee, and I'm sure all of us who are here today, to express our deep appreciation to you, the members of the police department and those who are with you here today for the good work you do.

We feel what you have done here has made a fine contribution to law enforcement, not only in New York City, but throughout this Nation.

You have been very thorough and very complete in your work.

You have shown great expertise in your operations and we are proud of people in the public life holding an important position of trust as you are and doing the quality work you do.

I want to express my appreciation to you.

Senator BIDEN. I would like to join in that statement.

This is one heck of a piece of work that you have all done and I suspect that the U.S. attorney was correct when he said you are probably the best in the world.

Senator D'AMATO. It is good to be with you and I look forward to exploring some of the avenues we talked about.

You are undertaking a difficult, difficult task in a tough time and doing a heck of a job.

Mr. CICCOTELLI. We are not about to quit.

The CHAIRMAN. Senator D'Amato previously told me the good work you were doing and after today, I am convinced.

Mr. CICCOTELLI. Thank you, Mr. Chairman. This is a videotape, but poorly done, in terms of the quality [handing].

[Witnesses excused.]

The CHAIRMAN. Our next witness is Hon. Sterling Johnson.

The witness following him will be Reena Raggi, chief of narcotics, Eastern District of New York.

You might come up, too.

Mr. Johnson has had experience in all levels of drug law enforcement.

He is a former member of the New York City Police Department, a Federal prosecutor, an official of the Drug Enforcement Administration and a special Watergate prosecutor at the U.S. Department of Justice.

Mr. Johnson has been cited on numerous occasions for his efforts in the area of drug law enforcements.

The committee is pleased to have you here and is anxious to obtain your insight concerning the prosecution of narcotics traffickers and other drug offenders in New York City.

Miss Reena Raggi—do you pronounce it?—we are very pleased to have you.

I believe you are the assistant U.S. attorney and chief of the narcotics prosecution section for the Eastern District of New York; is that correct?

Ms. RAGGI. That's right.

The CHAIRMAN. Miss Raggi, we welcome you to this hearing and look forward to hearing your comments concerning the prosecution of narcotics violators in the Eastern District of New York.

I will swear you all.

[Witnesses were dully sworn by the chairman.]

TESTIMONY OF STERLING JOHNSON, JR., SPECIAL NARCOTICS PROSECUTOR FOR NEW YORK CITY, ACCOMPANIED BY REENA RAGGI, ASSISTANT U.S. ATTORNEY, CHIEF OF THE NARCOTICS PROSECUTION SECTION, EASTERN DISTRICT OF NEW YORK

The CHAIRMAN. Mr. Johnson, I asked you to present your testimony. If you wish to read this, we can put it in the record.

Mr. JOHNSON. First of all, Mr. Chairman, Senator D'Amato and Senator Biden, I would like to thank you for the opportunity to testify before this body today.

I do have a prepared statement.

I would like to have that statement entered into the record.

Senator BIDEN. Please speak into the big microphone.

Mr. JOHNSON. I would like to thank you for the opportunity for appearing before this body.

I would like to have this statement entered into the record.

For the sake of brevity, I would like to highlight a couple of items from the statement.

In response to the question by Senator Biden of the previous witness, heroin indicators feel that there is an increase in the amount of heroin coming into this country.

Heroin overdoses, heroin episodes, things of that nature, the purity of heroin, the decrease in price, things of that nature.

In the last year, some time earlier in this year, a cocaine hotline was set up in New Jersey for the purpose of running this hotline for those who had problems with the use and abuse of cocaine.

They were going to man these phones 12 hours a day.

This program became so successful that it is now manned 24 hours a day, and is estimated about 5 million people use cocaine and a couple of hundred thousand have such a problem that they are dependent upon the cocaine.

Senator D'AMATO. What is the cost of that, if I might interrupt you?

Mr. JOHNSON. It is estimated by the Federal authorities, I don't have an exact figure, maybe \$25, \$30 million a year as far as cocaine.

Senator D'AMATO. Just the coke industry?

Mr. JOHNSON. Just the coke industry.

Coke is it, as they would say.

Senator BIDEN. Actually larger than heroin right now in terms of profit nationwide—at least, that is the DEA's estimate.

Mr. JOHNSON. I would not dispute that.

The illicit drug industry itself is something like \$100 billion annually. Pretty soon we will be talking about real money.

Another thing, we find it has created an allied industry and that is violence.

In several neighborhoods, I would say 80 to 90 percent of all homicides that are not crimes of passion are drug related.

I was speaking to someone not long ago, some time last week in the 34 precinct in upper Manhattan covering parts of Harlem—I think it was last year that they had something like 44 homicides.

As of last week they had something like 53 homicides and 80 to 90 percent of those homicides that were not crimes of passion were drug related.

We have had some significant investigations both on a State level in cooperation with the Federal authorities and the more we do, the more there is to do.

Drugs are to organized crime what gasoline is to the automobile.

There is so much to be done and so little resources to do it with.

We have a serious problem and I think that we can use all the help we can get from the Federal authorities.

I think Congress is taking a lead in this particular fight.

I was looking at the newspaper reports, Senator D'Amato, with respect to your proposal.

I endorse it and applaud it wholeheartedly.

One of things I would like to see so far as the \$500 million is concerned, yes, we need more prosecutors, judges, and agents and I endorse all of that.

I do think that some of the resources should be given to the local authorities.

You need more police officers to make the arrests.

You need more local prosecutors to prosecute the kind of cases the Federal prosecutors will not or cannot prosecute.

A good example is a project on the lower East Side.

Things got so bad on the lower East Side where people were distributing drugs out in the open as if they were giving away free money.

The local authorities and Congressmen and elected officials got together and they got local money to set up a pilot program.

Over a period of 1 year, something like 6,000 arrests were made in a particular geographical area. It might be less than 1 mile.

Of those 6,000 arrests 2,500 were handled by my office.

Four attorneys handled 2,500 indictments and you are talking about over 600 cases per assistant district attorney.

Many of these cases are pending. Some have been tried.

We need resources to——

Senator D'AMATO. On that point, supposing you had the ability to appoint or have funded prosecutors for drug-related cases, would give you increased firepower that would help do that job?

Mr. JOHNSON. Yes, it would, and one of the things it would enable us to do would be to try cases we would like to try.

I would venture to say, of the 2,500 cases we have in the hopper, many of them will be plea bargained down to where we cannot try those cases.

Senator D'AMATO. Isn't that really one of the great problems?

I won't mention specific areas, because I will be accused of taking cheap political shots, but I would love to do it, not the cheap political shots, but mention the areas.

In certain areas we don't have any trial parts.

Mr. JOHNSON. That's correct.

Senator D'AMATO. Not because we don't have prosecutors.

There are actually no trial parts conducting the trials.

How do we handle that?

There is a breakdown.

What do we have to do to get the local engine going?

It is one thing for us to fight, and Senator Thurmond understands what it has been about. He always says he would like to go back and be district attorney. Those were some of the best days he had.

Senator BIDEN. Back when he was a judge, he liked it best; "hanging Thurmond."

Senator D'AMATO. How do you handle the situation? What do we need?

Mr. JOHNSON. At one time they had special narcotics parts in New York City and these parts were designed specifically to handle just narcotics cases.

Because of the crunch, the fiscal crises and the volume of cases that were coming in, it was decided that narcotic parts were special parts in and of themselves were not warranted, so we had to add additional crimes in this particular part.

Therefore, not only do you have narcotic cases in narcotic parts, but you have street crimes also.

I think it is going to call for some reorganization, some streamlining, maybe additional judges, court parts, and maybe an enforceable speedy trial rule as they have in the federal system designed to push not only the prosecutors, because they will knock our brains out if we are not ready to go to trial; they will just dismiss them.

If you take a situation where a defense counsel is not ready because he is on trial with someone else, that case is postponed, adjourned, or delayed.

It takes a tremendous commitment and resources and innovation and a desire on all the parties concerned to solve a problem that can be solved.

It is not insoluble.

Senator D'AMATO. Thank you, Mr. Chairman. I had interrupted Sterling.

Mr. JOHNSON. I would like to say, continue or conclude, that it is a serious drug problem not only in this city but also in this Nation. There is a lot of violence involved with the drug problems.

There are tremendous amounts of money being made from the drug scene.

Organized crime is intricately involved.

I think there is much more we can do, not only on a local level, but also on the Federal level.

The CHAIRMAN. Thank you very much.

I have a few questions I would like to propound to you.

Mr. JOHNSON, as part of the joint task force that operates in New York, can you comment on the cooperation that has been achieved and do you believe this task force could be used as a model in other areas of the country?

Mr. JOHNSON. Talking about the New York Drug Enforcement Administration Task Force, we work very, very closely with the task force, talking about my office.

We made some very, very significant and important cases with the task force.

I would endorse setting up a task force model after the New York Drug Enforcement Administration Task Force.

It is a good operation and people around the country have marveled at its success.

I would have to answer your question in the affirmative.

The CHAIRMAN. Mr. JOHNSON, there is a demonstrated relationship between drug trafficking and violent crime in other parts of this country.

What is the extent of the violence proliferated by drug trafficking in New York and does your office prosecute those cases?

Mr. JOHNSON. Yes, included in my office is a special unit, as they call in the police department, a steal.

There are about three detectives who are assigned to my office for the specific purposes of coordinating the investigation of homicides that are suspected of being drug related.

I would have to venture to say in some neighborhoods 80 to 90 percent of those homicides that are not crimes of passion are drug related.

I have spoken to people who have committed 25 and 30 murders for hire ranging from a low figure of \$500 to a high figure of \$1,500.

Senator D'AMATO. If I might just, on that question: One individual committed as many as 25 murders ranging from \$500—is that contract hits?

Mr. JOHNSON. Contracts.

Senator D'AMATO. To bring about discipline in the drug trafficking organization?

Mr. JOHNSON. You are talking about a multimillion-dollar-a-year industry.

If there is a discipline problem, as I would say, you would pick up the telephone, hire some talent, and the rest you read about in the newspaper.

If you have a situation where somebody is trying to steal your drugs and money and you don't do anything about it, you might as well pack your bags and go fly.

You have these individuals, independent contractors, and some are very efficient in their work, who kill for figures, as I said, from \$500 to \$1,500.

We had a case where an individual testified in a trial that he committed six of these murders, but he only counted five because one he did as a favor.

We have court testimony as to this transaction.

Senator D'AMATO. That doesn't speak much as to the value of life, \$500.

Mr. JOHNSON. A favor is even cheaper.

Yes, you have people that will commit murders for a favor and as little as \$500.

The CHAIRMAN. As a former Federal prosecutor, you are familiar with the Federal RICO statute.

Do you believe a similar statute, if passed by the New York State Legislature, would be a valuable weapon in the battle against organized crime and drug trafficking?

Mr. JOHNSON. Yes, Senator, I do endorse such a concept and we, on the local level and through the law enforcement council and the New York State District Attorney's Association, have attempted to get such a statute.

One was passed, but it did not have the teeth that the Federal RICO statute has.

We had a case recently, as an example of a prime need for a local forfeiture statute, where we, on the local level, had a successful investigation and arrest of a group of people.

I think they are mentioned in my statement.

We wanted to see some of the assets from these people in the drug operation.

New York State did not have a forfeiture statute, so I went to the U.S. attorney for the Southern District of New York.

I asked him, notwithstanding the fact that it was a local case, to institute a forfeiture procedure against the people involved in this case.

They did, and we seized almost \$700,000—I think over \$700,000 in assets from some of the defendants in this case and these outfits are going to the Treasury—if we are successful, and I hope we are successful—of the United States.

This is a local case.

We can surely use these assets for local purposes.

The CHAIRMAN. What is the approximate size of the caseload now handled by your office and how many prosecutors do you have to handle those cases?

Mr. JOHNSON. It fluctuates between 50 and 60 and probably is at a figure around 50.

To demonstrate how the cases go up: In 1980, indictments were 1,200 and in 1981 it went up to 1,700 and last year it was 2,700.

It more than doubled in a period of 2 years.

We are ahead of the pace that we were at last year.

You are talking about 2,700 narcotic indictments for the city of New York for the special narcotics prosecutor's office.

The CHAIRMAN. In your opening statement you identified three major organized crime groups that are involved in drug trafficking in the New York area.

Does each group specialize in a particular type of drug or do these groups deal in any type of drug they can obtain?

Mr. JOHNSON. One witness testified earlier the name of the game is money and if one group can make money off cocaine, they will make it.

If tomorrow they can make money off heroin, they will do it.

But, generally speaking, you have the Colombians involved in the cocaine traffic.

You have the blacks involved in the cocaine and heroin traffic and you also have the Italian mafia involved in the heroin and the cocaine traffic.

To give you a little brief history of what happened, in the French Connection case, in the 1950's and 1960's and early 1970's, the Mafia, quote, unquote, monopolized the heroin traffic in this country.

They had ties with the organized crime elements over in Europe, in Corsica, and they controlled this traffic.

In 1972 when President Nixon was in office and he mounted this major offensive on crime, he broke the back of the Turkish French Connection source.

After that, you had the Hispanics, the Mexican-Americans who came into the vacuum and they started distributing heroin throughout this country.

It was a big thing, Mexican Brown as it was called.

At one time the Mexican heroin counted for about 10 percent of all the heroin consumed in this country.

That consumption was along the Texas-Mexico border and in southern California.

In 1972, after the Turkish-French Connection source dried up that heroin, Mexican heroin accounted for that 80 percent of the national market.

About the same time we were involved with Vietnam and you had some enterprising black-Americans, former GI's, who also got involved in the drug trafficking and they brought tremendous amounts of heroin into this country.

What they did was add a new twist to the heroin trafficking situation.

They, for the first time, became importers, distributors and marketers for the heroin.

They were in the heroin business from the womb to the tomb.

They bought the heroin in 90-percent pure and they would dilute the heroin.

Instead of having 1 kilo 90 percent pure, they had 30 kilos of 3 percent pure.

The 3 percent found its ways into the brains of the addicts.

There was no risk involved, but also more profit involved.

Today you have all three major groups involved in the drug trafficking.

It is not exclusive, not limited to these groups, but they are the major ones involved today.

The CHAIRMAN. As special narcotics prosecutor, have you observed any instances where agreements have been made between any or all of the three major organized crime factions regarding territory, types of drugs distributed, importation or any other issue that would offset the drug trade in New York?

Mr. JOHNSON. To answer your question, there is cooperation.

There is also competition among the major groups that I have just mentioned.

We have had situations—if a major black group has a source at a particular time and the Italians do not have a source, then the Italians will cooperate with the blacks or there might be competition.

There have been hits put out by the Italians on black drug dealers.

There have been hits put out by the blacks on the Italian drug dealers.

You have the same thing for the Colombians.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you very much.

Mr. Johnson, it will come as no surprise to you if I raise, again, my pet concern about greater coordination with the Federal level.

Let me ask you a question, if I may, along those lines.

As you are aware, I have been calling for a cabinet level official to oversee coordinating the Federal drug effort and I have been having some problems with many of the Federal agencies who oppose this concept.

As a recognized authority on the narcotics issue, a former law enforcement officer and prosecutor who worked for the city, State and Federal agencies, I would appreciate your comments on this concept I know you are familiar with.

What is your view for the need of that kind of coordination?

Mr. JOHNSON. I am familiar with it and I think there is a crying need for a person who can coordinate the enforcement, not only the enforcement, but the drug effort itself on a national level.

You look at the Defense Department. You have four major services in the Defense Department and each of these major agencies are charged with the responsibility in its own way of protecting this Government against a foreign invader, but if there is a problem between either one of the sections, eventually it is resolved or handled by the Secretary of Defense.

These four major components of Defense have a spokesman in the Secretary of Defense and he reports directly to the President of the United States.

I think we should have something similar to this in the drug area.

I think it should be not only for the enforcement, but for treatment, prevention, education.

We should have someone who has the President's ear.

Whether it be a czar, a coordinator—no matter who he be, you should have someone that the President can rely on that a person can speak to the President and say, we have a very, very serious problem of coordination on the Federal level or you have a very, very serious problem or situation where we are giving x amount of dollars to the Federal people, but not enough to the local people.

I am not suggesting that person, coordinator, or czar, should interfere with the day-to-day operations of the agencies involved in drugs, just like the Secretary of Defense does not interfere with the local operations of the Navy or Army, but you do need someone who is a coordinator that the President can rely on and not just one person, whoever he be, where drugs is just one of many items on an agenda.

I do think there should be some coordination.

Senator BIDEN. May I ask you how you pronounce your last name?

Ms. RAGGI. Raggi.

Senator BIDEN. Would you like to comment, or do you feel qualified? You are obviously qualified, but are you familiar with the proposal?

Ms. RAGGI. I am familiar with the proposal.

I'm sorry, Senator.

I think the most I can say about your proposal is that there probably is no good faith proposals that those of us on the line trying cases don't think would work under certain circumstances.

We just don't know the circumstances we would actually see.

I would have to leave it to people who are more in managerial positions to comment on it.

Senator BIDEN. You are obviously competent. I thank you for such a direct answer.

I will get back to you, Mr. Johnson.

As you know, there was a veto of that proposal that we just discussed on the grounds that there was a cabinet council already capable of coordinating the U.S. drug control program.

Are you familiar with the cabinet council?

Mr. JOHNSON. I have heard of it.

Senator BIDEN. Then I won't pursue that.

By the way, I am impressed with the fact that there seems to be greater coordination between the Federal agencies involved, Customs, DEA, the FBI, and the city police agencies here than in most places.

I think that is a testament to the quality of the people in the city as well as our Federal people.

You mentioned that the organized crime force that Senator Thurmond asked you about, whether that could be a model for other places.

Now, what I would like to know is: We are now involved in the creation of two additional Federal task forces which would respond to organized crime and drug trafficking in the interdiction of drugs entering into this country.

Are you familiar with the organized crime and drug trafficking task force that is different from the one Senator Thurmond asked you about?

Mr. JOHNSON. You are talking about the President's task force?

Senator BIDEN. Yes.

Mr. JOHNSON. Yes.

Senator BIDEN. Could you give me your impression of the utility of that organizational framework as it would apply to you in terms of being the main man prosecuting at a local level?

Mr. JOHNSON. First of all, I'm not too familiar with the organizational framework.

The first I heard about the Presidential task force was what I read in the newspapers.

How it applies to me or to the State authorities, I don't know. It is too new.

I don't think any cases have been made as of yet.

Senator BIDEN. What is your role again in the city?

Mr. JOHNSON. Special narcotics prosecutor for New York City.

Senator BIDEN. What does that mean?

I know, but I want it for the record.

Mr. JOHNSON. I prosecute, investigate, try, and handle all narcotics cases that relate to New York City.

Senator BIDEN. Do you call the shots in terms of investigations, major investigations on narcotics cases, or does that come from somewhere else within the law enforcement establishment of the city?

Mr. JOHNSON. I try to call the shots. Sometimes the shots call me.

The volume is so terrific.

Senator D'AMATO. Sterling, you are refreshing.

Senator BIDEN. You are good.

Mr. JOHNSON. Thank you.

To answer your question, when the task force was set up, this is what you are driving at, there was no consultation or conferring with the local authorities.

The purpose of the task force is to, as I see it, to make additional major cases in conspiracies.

So far as making local cases, I don't think that is their responsibility.

I don't think I will be benefiting from anything that the Presidential task force is doing.

I do intend to cooperate with the task force and I am currently working on a matter today with the task force on a particular matter.

Senator BIDEN. In fairness to the task force notion, I want to acknowledge for the record, their main function is to coordinate the Federal agencies in getting DEA to speak to the FBI and the FBI to work with Customs and Customs to have some input or get some input from CIA and IRS.

Then, as it relates to you managing your office, you have not, to date, had any organization or contact with this new 1 of 12 task forces.

Mr. JOHNSON. I have met with a prosecutor and I was informed that the task force is here in New York. It is comprised of, I don't know how many, agencies.

It is chaired or cochaired by the southern district and the eastern district.

Other than that, I know nothing about it except that it is a creature that is here in New York.

The cases that it is handling, its purposes, its organizational setup, I don't know anything about it.

Senator BIDEN. It is possible that you could not know yet? There could be coordination going on at the city and State level?

Wouldn't you have to be involved?

Mr. JOHNSON. If there is going to be involvement at the city and State level, I would have to be involved.

Senator BIDEN. I just want to make sure.

I have to go back and read the record, but I thought that Mr. Giuliani's statement was that coordination was underway.

I may have misunderstood what he said.

I want to make sure that I understand you personally.

You would know if it were occurring; you have not been a party to that coordinating effort up to today?

Mr. JOHNSON. I have met with other people. I have been informed that the task force exists. It is here in New York.

There are several agencies involved.

It is chaired by the eastern district and the southern district and maybe Miss Raggi can explain that.

I am unclear as to either party's role.

The cases that it has, I am unfamiliar with and I suspect that there are no, and I don't know whether there will ever be, any cases coming to me on a local level.

I intend, as a professional, to cooperate with my colleagues on a Federal level whenever I possibly can.

Senator BIDEN. I may ask to submit a couple of questions in writing.

In the interest of time, I won't do it right now. Neither of you have had a chance to have your lunch.

Mr. JOHNSON. As you can see, I can do without lunch for a couple of days.

Senator BIDEN. Let me make one followup point.

There are some major amendments to the RICO statute which I authored 2 years ago which were a part of what was originally the Democratic crime package and then the Thurmond-Biden crime package.

I recommended for your consideration, and going back at it again, I think you will find had they passed it, you would have been able to utilize, at a local level, aspects in cooperation with the U.S. attorney's office to a greater degree than you were able to do it in the case that you cited.

I won't bother you with that. I want to call it to you attention.

That doesn't negate the need for the desirability of the State pursuing it.

We have had 2 years of off and on testimony on RICO.

We found out that under the Carter administration, I emphasize for my Republican colleagues, there were but three people in the system that knew how to use it.

The whole criminal justice system didn't use it, because they didn't know how. That was under Carter.

After banging away at Carter, I found some movement, and more movement in this administration.

There is one caveat. Getting the statute passed at a State level isn't enough.

You are going to have to know how to use it. I encourage you to encourage the State legislature to pursue this course of action.

Also pursue some funding to train U.S. attorneys, or in this case, State attorneys, prosecutors who are not familiar with the use of the statute.

Mr. JOHNSON. I think one of the key elements in the local statute that, at least, law enforcement is urging is that, in fact, some of the resources that will be forfeited will go to the prosecutors.

I suggest that we will have to learn the statute as fast as we possibly can.

Senator BIDEN. Even if you don't pass it, if we are able to pass it through, and I have every reason to believe that we would, and I believe the President supports under Federal law, you at a local level would be able to have the proceeds from the RICO.

Mr. JOHNSON. I support that bill and anything I can do to help it pass, I will do so.

Senator BIDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. The hour is late.

I want to commend Sterling Johnson for his absolute dedication, particularly now in the area of drugs.

With the limited resources, you make a magnificent effort.

I hope you can get the court system working along with you so, instead of having the indictments back up, you will be able to make your effort more rewarding.

I thank you for your magnificent job.

Mr. JOHNSON. Senator, you have been helpful, both professionally and personally and I look forward to working with you for many, many more years to come.

Anything I can do to help you both as a professional prosecutor and citizen of this State, I will do so.

The CHAIRMAN. We will now move to Miss Raggi.

Miss. Raggi, would you like to summarize your statement?

Ms. RAGGI. Yes; I would.

I do have a statement I would like to include in the record.

The CHAIRMAN. Mr. Johnson, on behalf of the committee, I want to express my deep appreciation to you and your appearance today and the fine contribution you made to the committee.

Mr. JOHNSON. Thank you.

[Prepared statement follows:]

PREPARED STATEMENT OF STERLING JOHNSON, JR., SPECIAL NARCOTICS PROSECUTOR
FOR NEW YORK CITY

I have been appearing before Senate and congressional committees to testify about organized crime and the impending explosion of heroin use in the New York City area since 1975. Every year since 1975, the problem has increased. Not only is heroin a problem, we are now beset with a tremendous increase in the importation of cocaine, marijuana and other illicit drugs.

A brief examination of some indicators will confirm these observations.

A strong indicator of heroin use is the heroin/morphine emergency room episodes. In 1979 there were 1,941 incidents and up to the third quarter of 1982, there were 3,990 incidents, an increase of 10 percent. Deaths due to drug dependence rose from 246 in 1978 to 528 in 1982 an increase of 115 percent. Serious hepatitis cases rose from 487 in 1979 to 1,117 in 1982 an increase of 129 percent. As of April 1983, there have been 1339 cases of AIDs reported in the United States. Forty-eight percent or 647 were reported in New York City. Of these, 194 or 30 percent were intravenous drug users.¹

¹ "Heroin Influx Update", New York State Division of Substance Abuse Services. June, 1983.

The purity of street heroin rose from 1-2 percent in 1978 to 3-19 percent in 1982. Admissions to the detoxification program on Rikers Island rose from 9,704 in 1980 to 13,802 in 1982, an increase of 42 percent.

Federal officials estimate that there are almost 500,000 heroin addicts in the United States. The 1982 Califano Drug Abuse and Alcoholism Report indicates that 234,000 or 47 percent are here in New York. The conclusion is inescapable, there is a serious heroin problem in New York City.

Nationally, it is estimated that more than 20 million Americans have used Cocaine. Four to five million use it regularly (at least once a month) and more than 300,000 persons are dependent on the drug.

Recently, in New Jersey a national cocaine hot-line was established on a part-time basis. The response was so overwhelming, that the phones are now manned 24 hours a day. There is a minimum of 1,000 calls daily.

Up to 120,000,000 lbs (60,000 tons) of marijuana is imported into the United States annually. Domestically, marijuana production has been described as the Nations second or third most valuable cash crop, worth more than \$10 billion annually. In addition to our imports, Hawaii, the West Coast, South, Southwest are areas where marijuana growing is big business. In New York City, it is almost impossible to go into any public park or building without smelling or observing someone smoking "pot".

The importation, marketing and distribution of illicit drugs is made possible only through the coordinated efforts of organized crime elements, both in this country and countries were the illegal drugs originate. In addition to being responsible for drugs on our streets, organized crime has developed an allied industry, violence. In some neighborhoods in New York City, up to 80 percent of the homicides that are not crimes of passion are drug related.

Citywide, in 1981, of the 1983 homicides committed in New York City, almost 25 percent (393) were drug related.²

Notwithstanding these events, we have attempted to keep pace with organized crime and the drug traffic. In 1980, there were 1,200 narcotic indictments obtained by the special narcotics prosecutors office. This figure rose to 1,700 in 1981 and almost 2,700 in 1982.³

In addition to the routine arrests we have been making over the years, we have successfully completed some significant investigations.

In one case, an attorney conspired with others to defraud a major organized crime defendant awaiting trial on State narcotics charges.

The conspirators used the name of the counsel to the President of the United States and an Assistant Attorney General to have the defendant released from jail for \$1 million dollars. After the scheme was uncovered, the Attorney and his cohort were sentenced to long prison terms.

A \$10 million Canadian heroin smuggling organization was dismantled with the arrest of three Canadian citizens.⁴ Further investigation by my office and the New York City Police led to the arrest and conviction of two Pakistanian nationals for importing the heroin into this city.

Six persons, including a 65 year old woman retiree was arrested for being part of an organization that sold an estimated \$600,000 worth of heroin a week.⁵ Subsequent civil forfeiture procedures against those arrested, netted the Federal Government almost \$S700,000.

More recently, 23 persons were indicted on charges of conspiracy to buy, sell and distribute heroin and cocaine. Several were charged with actual sale and possession of narcotics. Those arrested included a restaurant owner, a retired policeman, a fireman, an insurance salesman and an attorney.⁶

New York City is struggling with organized crime and drug problems with limited resources. If we are to succeed in our efforts, we on the local level need help from the Federal Government. Without their help, we cannot succeed. With their help, we cannot fail.

The CHAIRMAN. You may proceed.

Ms. RAGGI. Gentlemen, as I noted before, I prosecute narcotics cases in the eastern district of New York and if you are visiting us from out of town, I would note you have heard a lot about the east-

² New York Times, Metropolitan Report, P.B.I.

³ Transcript—August 25, 1977 between Fred and Stanley Galkin.

⁴ New York Post, May 26, 1982 P.1.

⁵ New York Times, April 2, 1983.

⁶ New York Times, Metropolitan Report, May 12, 1983.

ern district of New York this morning, because it encompasses the boroughs of Brooklyn, Queens, Staten Island, and the Long Island counties of Nassau and Suffolk.

With its miles of oceanfront, with its piers and with its two major airports, LaGuardia and Kennedy, the eastern district is, for all intents and purposes, the Port of New York, and as such, very, very important to people engaged in organized crime, especially narcotics smugglers who use the eastern district each year to import hundreds of pounds, of heroin, cocaine, marijuana, and various hallucinogenic drugs into the United States.

I am only going to cite one statistic in speaking to you today.

U.S. Customs officials tell me that they seized 200 pounds of heroin coming through the Port of New York last year.

Even on a most conservative estimate, to give the wholesale value of that heroin would be between \$120 and \$150 million. To get to what it is worth at street level, we talk about billions of dollars.

That's what we see seized in the eastern district.

Nobody in law enforcement thinks what is seized is anything but a small percentage of what is actually coming in.

The problem we are talking about is staggering.

We are concerned in the eastern district because we don't see our problem simply as one of transit, serious enough as that would be.

We find that most of the major organizations involved in narcotics smuggling actually have their headquarters set up in the eastern district.

If you are in New York, Jackson Heights in Queens in synonymous with Colombian cocaine; 18th Avenue in Brooklyn, Knickerbocker Avenue in Queens are synonymous with heroin trafficking.

When you talk about the Colombian traffickers, as people have spoken about them today, you are talking about a sophisticated operation, with extensive financing and huge profits.

These are the people who don't even bother to count their money; they weigh it. That's how they know how much they make.

These are people that come into our offices when they are cooperating and tell us that their organizations generate so much cash that they are able to affect exchange rates in currency between Colombia and the United States, and they are serious. They are absolutely serious about it.

Senator BIDEN. And they are right.

Ms. RAGGI. That's correct, Senator. They are right.

When we talk about sophisticated, well-financed narcotics organizations, what we are really talking about is international businesses, and just like any legitimate major company you will find narcotics organizations have lots of subsidiaries.

You start with people who, like commodity brokers, bid for the raw products, be it coca paste or morphine base, in source countries. They then become shippers, moving the raw product from wherever they purchase it into, for example, Italy—more often than not, that is where we see so many of the heroin laboratories—

Then they become chemical companies who refine that raw product into cocaine or heroin.

They then become import export agents as they devise all kinds of means to get the narcotics here into the United States.

They establish distribution marketing chains to get the narcotics into the stream of commerce and in the end, they are financial wheeler-dealers on a level not to be matched, as they protect their astounding profits.

These people use legitimate businesses, foreign offshore banks, Swiss accounts, Channel Island accounts, every means imaginable, to move their proceeds out of this country into havens where they feel they can safely enjoy it.

The reality of prosecution is such that more often than not we break only a link or two in the chain of narcotics operations I have just described.

For example, the Italian authorities may find a heroin laboratory and so we get a break.

If we are lucky, we move up or down the chain from the lab operators to their immediate sources or buyers. That's when we are successful, when we move beyond the break we get on any given day.

There is only one case that I know of that has been prosecuted in New York, and I suspect in the country, to destroy an entire chain.

That was the case prosecuted last year, in the eastern district involving the Riccardo Cefalu organization.

That was an extremely satisfying accomplishment.

We were able to identify and prosecute the major members of an organization, who by their own admission on Federal wiretaps, profited to the tune of about \$40 million in their heroin trafficking.

But the time and dollar commitment involved in that case was absolutely staggering.

To investigate and identify the network took virtually 24—close to 2 dozen—agents working with a prosecutor on this around the clock for several months.

This was, as I noted, a wiretap case and thus, literally 7 days a week, round-the-clock people monitored the wiretap. Further, a large support team had to be ready to go on surveillance whenever they heard something significant was happening.

On Thanksgiving weekend, for example, agents heard organization members discussing a departure from Kennedy Airport. In fact, they stopped two couriers of this organization trying to move \$700,000 in cash out of this country.

You have to be prepared to make that kind of manpower commitment to make that kind of case.

The case also involved incredibly delicate, foreign relations.

In the *Cefalu* case, we needed cooperation from the Italians, we needed cooperation from the Swiss, and we needed cooperation from the Belgians.

I don't think I have to tell you that you don't walk into a foreign country on Thursday and walk out with what you want on Friday. It takes months.

The Belgians, in particular, were extremely cooperative.

There was a fairly notorious drug dealer whose cooperation was essential. The Belgian authorities were not too thrilled with our initial request that he be allowed to come to the United States and testify.

In the end, however, after extensive negotiations they allowed him to come; it was an extremely generous gesture.

The manpower commitment to travel back and forth from the United States first to negotiate and then to transport the prisoner, when we know we had our reputation on the line with the Belgians was a commitment we made because of the importance of this case. Usually, there just are not enough agents, not enough money to support such an effort.

The case wound up with almost all of the defendants actually arrested.

It is in fact rare that we manage to lock up everybody whom we believe is involved in a drug organization. Somebody always manages to get away or two or three people wind up being fugitives.

The case took close to 6 weeks to try at which point "60 Minutes" inadvertently ran a television show about narcotics related violence in Italy which resulted in a mistrial being declared.

Two Federal prosecutors and two agents had been in the courtroom for 6 weeks, on that case, which is to say you take those people out of commission from all other work.

That is a tremendous commitment of resources.

Senator BIDEN. Did you try that case?

Ms. RAGGI. No. That's why I can brag about it.

I used the case because it does give me the opportunity to cite a number of points that I think are important to significantly breaking the back of any narcotics organization.

First, we need the manpower. I know you are all already aware of that.

I won't go into that in any great detail, except to say that in the U.S. attorney's office we know that if we are going to prosecute any traditional financial crime, some kind of stock fraud for example, we would have to be committed to months of doing the sort of intense financial investigation that it was going to require.

That is what breaking these narcotic organizations requires.

You have to be prepared to do undercover work, wiretaps, and detailed financial analysis in order to show what these people are doing and to go after the financial assets they have.

You are not really going to have enough of an impact otherwise.

I already mentioned briefly my second point, the need for foreign cooperation.

Some of you gentlemen have asked questions about what the narcotics problem is like in Italy.

It is every bit as bad as here, if not far worse.

I had the opportunity to be in Palermo last October.

Two facts made everything clear about what narcotics trafficking is like in Italy.

As you drive from the airport outside the city proper into Palermo you see whole hillsides with new construction; more construction than you have ever seen anywhere.

This, of course, takes money, and there is more money flowing into the island of Sicily than you can imagine. The Italian authorities are very blunt: It is narcotics money. Organized crime narcotics money that is being—

Senator BIDEN. Have you been to Miami lately?

Ms. RAGGI. Not in the last 3 years.

Senator BIDEN. The same thing.

Ms. RAGGI. The other fact I saw that sums up the gravity of the Italian problem is that members of the prosecutor's office, are all under guard 24 hours a day. It is phenomenal.

Magistrate Giovanni Falcone, who recently tried a 60-defendant case, which was an outgrowth of some work we did in the eastern district with the Gambino and Adamedia families involved in narcotics smuggling has such bodyguards when I met him.

I didn't know at first who they were. They were their bodyguards.

I have just two more points.

One, it is important for us that we have the tools that allow us to go after assets in these organizations in order seriously to deter individuals from engaging in this conduct. This is very important to us.

Two things I think you should be aware of in terms of problems that we encounter in prosecution. First is the growing importance and increased use of foreign banks as a tool to shield illicit assets. They become havens.

It is important for all of us in law enforcement, and particularly those of you who write the laws, to think about how much we are going to allow foreign banks to deal directly in this country, or through correspondent banks, without having to answer questions posed by Federal grand juries about who is putting money in those accounts.

To the extent we have gotten voluntary cooperation from some of those banking havens, especially the ones involved with the British Government, it has been very helpful.

Some banks in the Caribbean Islands, however have no interest in being cooperative.

There have been some court decisions recently which hold that if a foreign bank does business in this country, it is answerable to grand jury subpoena; other courts have not been so clear.

To the extent you all make the laws, you should be aware of that.

Senator BIDEN. We have a law proposed right now exactly on that point in the crime package that we introduced and hopefully it will pass.

Ms. RAGGI. With respect to many of the proposals that are pending, you have a lot of prosecutors anxiously waiting for the results.

The other point I wanted to make, gentlemen, is with respect to the use of the Internal Revenue Service in narcotics investigations. The agents are very dedicated and eager to assist in narcotics investigations.

There are problems, however.

It would take quite a while to detail all of them.

To give you a general summary, it is difficult for us to share information developed in the course of a criminal investigation with a civil arm of the Government, for example, the section of the IRS responsible for collecting back taxes.

What we frequently have is whole investigations on narcotics traffickers conducted by the grand jury, with evidence that these people have amassed fortunes in their drug businesses without paying taxes.

Widows and orphans have to pay taxes; why not drug dealers? A recent Supreme Court decision may prevent us from sharing this information with the IRS, even though the investigation conducted in genuine pursuit of criminal charges and not illegitimately.

There are of course privacy concerns with respect to IRS access to information.

But again, we have, sometimes, had in the U.S. attorney's office considerable evidence of moneys owed to the U.S. Treasury in taxes from drug dealers and we may no longer be in a position to turn this over to the IRS. Is that in fact to be the law?

My last point, gentlemen, is that we do have to make the punishment for narcotics sufficiently severe that people are deterred from engaging in it, because you can have all the prosecutors and all the agents and all the other investigative tools, but in the end if people are not seriously deterred, then we have not done our jobs.

There are many cases where the sentences are surprisingly low.

Last year, for example, Customs and DEA seized the largest quantity of heroin in the United States in 7 years, 115 pounds of heroin coming in from Italy to New York.

The people, the recipients of that heroin, despite the fact that the Government asked for the maximum, were sentenced to 9 years incarceration. With parole possibilities——

Senator D'AMATO. A little more than 3 years.

Absolutely staggering; 115 pounds of heroin.

Ms. RAGGI. The information I get from the Department of Justice indicates that the average term of actual incarceration in Federal narcotics cases is less than 3 years.

The problem being what it is, you have to understand that the present sentences may not be a sufficient deterrent for many people.

The other factor to consider is that the maximum criminal fine that can be imposed for someone importing or distributing drugs is still only \$25,000.

Now that is a lot of money if you are a Federal prosecutor, but it is not a lot of money if you are a member of the Riccardo Cefalu organization which made \$40 million.

Those are then among the facts which I wanted to bring to your attention, which I find of concern in doing this job.

The CHAIRMAN. Thank you.

We have heard the testimony of the other witnesses here today.

How do you compare the problems of organized crime in narcotics in the eastern district to the problems in other areas of New York?

Ms. RAGGI. Senator, it is mainly a problem that affects not only New York, but the entire Northeast.

The eastern metropolitan area has a significant organized crime problem.

Our particular problem in the eastern district is what I tried to give you at the outset.

Organized crime uses the facilities available in the eastern district to actually begin to get their drugs into the United States.

In Brooklyn and Queens we find so many of what we call organized crime networks actually organizing and working.

Mainly Italian organized crime, traditional organized crime is very prevalent.

Jackson Heights, Queens, the whole area is basically taken over by Colombians.

In Queens we also find pockets of Pakistanis becoming very, very important in heroin movement, mostly because of the improved quality of their product. Also groups of Israeli drug dealers and Lebanese.

They begin to take over whole sections of Queens and they operate from there. We are a base.

The CHAIRMAN. Ms. Raggi, with reference to narcotics cases prosecuted in the Eastern District of New York, what appears to be the principal drug of abuse?

Ms. RAGGI. Of abuse on the street level, Senator, by the addict?

The CHAIRMAN. Drug of abuse.

Ms. RAGGI. I would say both heroin and cocaine.

The CHAIRMAN. Approximately how many narcotics prosecutions are undertaken in the Eastern District of New York and how many of these cases involve organized crime figures?

Ms. RAGGI. I can't give you a total figure for what we prosecuted last year, but I can say this:

Indictments brought in the Eastern District of New York——

The CHAIRMAN. That would be right in point.

Ms. RAGGI. I can send it to you. Of all criminal cases prosecuted, I would say half or perhaps more than that are narcotics cases.

We have a tremendous influx of narcotics in the district.

As to how many are organized crime. I would estimate that a good 75 to 80 percent.

The CHAIRMAN. If you could get the figures on that, we would appreciate it.

Ms. RAGGI. Fine.

The CHAIRMAN. Ms. Raggi, how many prosecutors are assigned to the prosecution unit in the Eastern District of New York?

Ms. RAGGI. Right now, nine.

By the time we get up to the full task force strength, 13.

The CHAIRMAN. How many criminal and civil proceedings has your section undertaken and approximately the amount of assets seized as a result of those proceedings?

Ms. RAGGI. I will get you the exact number on that, too.

The CHAIRMAN. We are speaking about criminal prosecutions in civil proceedings.

Doesn't——

Ms. RAGGI. We have a separate civil section, but we work very closely with them on narcotics forfeitures.

The CHAIRMAN. If the criminal prosecutor has information and convicts somebody of narcotics and has evidence that would be available to the civil unit, I would imagine you turn it over to them?

Ms. RAGGI. Two opinions came down from the Supreme Court in the last month; one about turning information over to the IRS and one about turning information over to attorneys in the civil section.

Our ability to turn over information obtained by grand jury subpoena has been cut back some. Obviously, we used to do it much

more. Now we have new case law that may limit our ability to do it.

The CHAIRMAN. It seems to me I didn't read the whole decision. I was a little disappointed and confused by what I read.

I better get a letter from you explaining your interpretation and your recommendation of what is needed to promote law enforcement growing out of that decision.

Ms. RAGGI. Yes, sir.

The CHAIRMAN. With regard to the IRS, you are not permitted to give information on details to the IRS?

Ms. RAGGI. We all have to read the opinion and figure out where it lets us move and where it doesn't.

The CHAIRMAN. Is there any objection to you informing the IRS without going into certain details?

Ms. RAGGI. I think you can suggest that someone can target somebody, but you will have to duplicate the work already done by the grand jury.

The CHAIRMAN. If they have the name of a subject, I think that subject would be a little concerned the moment the IRS knows about it.

Ms. RAGGI. The problem you sometimes have, though, is you start watching the money move out of the country as they become aware that there is an investigation.

The CHAIRMAN. Maybe we need to change the law on that, if you would give us your opinion on that.

We want to go over the drug people—we want to see the law enforced and if there is any technicalities that need correcting. Senator Biden and I would like to know that.

Senator Biden.

Senator BIDEN. On that point, the forfeiture bill that you strongly worked on allows the Government to freeze assets because, as the prosecutor has pointed out, it tends to flow out of the country rapidly and there is also some question we have about the ability to use the IRS.

Although I won't take your time with it now, I will send to you, with your permission, a copy of a piece of legislation which we have worked on. I'd be interested in your opinion as to what impact it would have on your ability to do the job.

I have one question and it will sound somewhat facetious.

The question is: Who is in charge, as it relates specifically to the task force?

I am not being facetious when I say the task force method confuses me.

There is the eastern district and, for the record, I want to make sure it is in the record, there is the eastern district and the southern district.

We heard from, I believe, the U.S. attorney for the southern district.

Now, the U.S. attorney for the southern district, does he have any authority over the eastern district?

Ms. RAGGI. No.

Senator BIDEN. It is a separate U.S. attorney?

Ms. RAGGI. Yes.

Senator BIDEN. What is his name?

Ms. RAGGI. Raymond J. Dearie.

Senator BIDEN. In terms of the regional task force, one of the 12 task forces, who is in charge of that; Mr. Dearie or Mr. Giuliani, or do we know?

Ms. RAGGI. Yes, we know.

I am going to try to answer the question and then try to explain. There are co-coordinators in New York.

Mr. Dearie and Mr. Giuliani are co-coordinators of the New York task force because, of course, in New York we have to be different.

I think in large part it stems from the fact that we have two offices that each do as much narcotics work as anywhere else in the country and to try to pick one or the other is something that the Department of Justice found difficult to do.

For completeness, I have to say that the region we are members of also includes the U.S. attorney's office for New Jersey.

Senator BIDEN. New Jersey? They are not coordinators?

Ms. RAGGI. No, We have more coordinators than noncoordinators in the New York-New Jersey region.

In both offices in New York, the Eastern and Southern District of New York, we had established specialized narcotics units even before the task force.

I think in some ways we had established what the Justice Department hopes to encourage other U.S. attorneys to establish.

What has happened is that Mr. Dearie and Mr. Giuliani have appointed their respective chiefs of narcotics, Ms. Rhea Neugarten, chief in the southern district, and myself to act as their surrogates at committee meetings concerning the guidelines of the task force.

We do cochair those meetings and sit down and discuss what cases are to be presented for the task force.

I think in the New York-New Jersey region there are presently close to 25 cases being worked on by all 3 districts under the task force.

The CHAIRMAN. New cases?

Ms. RAGGI. Yes.

I should say, in fairness, Senator—I think one or two of them may be outgrowths of cases that have previously existed.

This is almost essential when you first start.

Senator BIDEN. I agree. I was wondering where the cases came from.

Ms. RAGGI. There are about 25 cases; none of them have gone to trial. We have not been in operation that long.

Senator BIDEN. I am impressed that there is this coordination.

Ms. RAGGI. We are coordinated to that extent.

Senator BIDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. Mr. Chairman, let me thank Reena Raggi for coming in and giving us, I think, a most comprehensible review of the number of problems that we have to deal with.

It is not just a matter of pushing in more agents, more prosecutors.

It is a matter of strengthening the law, getting international cooperation, a local effort as well, and tying all of these various factors together.

This is not something that we just throw money at and say, that is going to be solved.

It will take a lot of hard, tedious work and thoughtful allocation of resources.

I share Senator Biden's concern.

When you have the drugs coming in with the relative amount of ease that they come in with, you don't diminish that service. I don't take issue with my colleague.

I think it will take a lot more work than doubling or tripling the Customs.

It will take an international cooperative effort working with the law enforcement agencies. The eastern district has done a remarkably fine job given the limited resources.

Here is a narcotics unit 9 attorneys and at full force it will be 13. That's ridiculous. That is absolutely insufficient.

I think, once we identify the problem, if we can focus political attention properly, we can build a bipartisan consensus to allocate proper resources and management tools to deal with this problem.

I am delighted you are here and not Raymond. He is a good friend, but I am delighted to see you.

Senator BIDEN. I would like to make one last comment by way of question.

When you got that gentleman from jail in Belgium, did you have to go to or get any cooperation from the State Department?

Ms. RAGGI. I think that we handled with Justice in Washington. Prosecutors from a particular district don't just go abroad on their own.

That was coordinated with the Office of International Affairs at Justice and they took care of anything that had to be done with the State Department.

Senator BIDEN. Additional resources aren't sufficient, but the problem is that the State Department likes to carry treaties in their briefcases and not deal with the drugs as if it were a major problem.

I would like to express my appreciation.

If you would be kind enough to write us to give us any information we requested, we would appreciate that.

Ms. RAGGI. Is it possible for me to get a copy of the transcript?

The CHAIRMAN. If you will write Mr. Duke Short on the Judiciary Committee, he will see that you get a copy of it.

I would like to express my appreciation to the GSA also and to the Federal Protective Service for their cooperation and to the Marshall's Service for their support and to other support personnel who assisted here today.

I wish to express my appreciation to Senator D'Amato's staff for all they did in assisting us here today with this hearing.

I want to express my appreciation to Mr. Duke Short and the Judiciary Committee and staff for what they did here today, too.

We are very pleased to have the distinguished Senator from Delaware and the distinguished Senator from New York and would thank them for their expertise.

We now stand adjourned.

[Whereupon, at 3:25 p.m., the proceedings were concluded.]

[Report follows:]

A P P E N D I X

REPORT ON ORGANIZED CRIME IN NEW YORK CITY

TO THE

UNITED STATES SENATE

COMMITTEE ON THE JUDICIARY

JULY 1983

ROBERT J. McGUIRE
POLICE COMMISSIONER
NEW YORK CITY POLICE DEPARTMENT

DANIEL J. COURTENAY
CHIEF
ORGANIZED CRIME CONTROL

EMIL A. CICCOTELLI
DEPUTY CHIEF
EXECUTIVE OFFICER
ORGANIZED CRIME CONTROL BUREAU

FOREWORD

The information presented in this testimony is the result of many years of continuous intelligence gathering and the analysis and assessment of the data gathered. In addition to the contributions made by all of the elements of the New York City Police Department concerned with organized crime activities, valuable information is derived from sources within the various state and federal agencies which share a similar responsibility - often during the course of joint investigations.

The primary means by which this information has been gathered include: overt and covert surveillances of known members and the places they frequent; undercover operations in which investigators were accepted as trusted fellow criminals; overheard conversations during authorized electronic eavesdropping; and information gathered from confidential informants with demonstrated reliability.

There are obviously no formal listings among the gangs regarding the ranking or importance of certain members. Therefore, some disagreement in this regard may exist even among those considered to be most expert and most well informed. However, while the structure may, at times, appear to be unclear, the conspiracy and the fact that there is organization is perfectly clear.

INTRODUCTION

When considering the overall level of criminal activity in the United States, the average citizen concerned with personal safety and the freedom to walk the streets unmolested, rarely, if ever, becomes aware of the impact and influence organized crime has on our daily lives. Law enforcement authorities throughout the country however, have learned from painful experience that while organized crime is not nearly as visible as street crime, its effects are far more pervasive.

As early as 1967, the President's Commission on Law Enforcement and Administration of Justice concluded, "In many ways organized crime is the most sinister type of crime in America. The men who control it have become rich and powerful by encouraging the needy to gamble, by luring the troubled to destroy themselves with drugs, by extorting the profits of honest and hardworking businessmen, by collecting usury from those in financial plight, by maiming or murdering those who stand in their way and by bribing those who are sworn to oppose them".

The very nature of their illegal activity erodes confidence in law enforcement and the ability to govern. Availability of large amounts of cash leads to the ability to corrupt police and other public officials and provides the resources with which to establish and maintain monopolies. The freedom to operate outside the code of business, without conscience, permits them to gain a superior competitive edge over legitimate enterprise. Their presence today is virtually everywhere, ranging from involvement in traditional areas such as gambling, narcotics and loansharking to a new and growing interest in modern development such as the dumping of toxic waste and counterfeiting of video tapes.

It must be stressed that while organized crime is often viewed as a number of mutually exclusive ethnic or racial organizations exhibiting distinct structures within each of the identifiable groups, it is increasingly apparent that a criminal can rise within such a network based upon his ability as a monetary earner rather than for his reputation for violence and ability to instill fear. This re-enforces the realization that organized crime exists not for tradition or family, but for profit and personal gain.

This report will attempt to depict the scope of organized crime and its impact on society. Because of difficulty in establishing an all encompassing definition and the unclear line of demarcation distinguishing between that which may be labelled organized crime and that which may be considered unethical business practices, readers will invariably include other segments of criminality not listed in this report. That in itself is not significant. What is significant, is that all enforcement agencies and legislative arms of the government understand that there are operant forces exercising an illegitimate control over the affairs of our citizenry that must be checked.

The objective is complex, the expenditure of personnel and resources will be great, and the road will be a long one. Nevertheless, success is achievable. It can be ours if there is a willingness to make tough decisions, to sacrifice immediate gratification, and to tolerate the discouragements which are bound to arise. Through establishment of a common goal, mobilization of all available resources and unselfish participation at every level of government, we can turn a seemingly impossible task into a satisfying victory for the vast law abiding segment of our society.

ORGANIZED CRIME

HISTORY

The traditional organized crime networks in New York City owe their present structure and influence to an event which occurred on April 15, 1931.

Prior to that time, organized crime was fragmented into various Sicilian groups of the Mafia, with the major factions divided between Joseph Masseria and Salvatore Maranzano.

In 1930, "Joe the Boss" Masseria made a move against Salvatore Maranzano and his organization, comprised mainly of Sicilians from the town of Castellamare del Golfo. On Masseria's side were promising young gangsters with names like Luciano, Genovese, Adonis, Gambino, Costello, Moretti, and Anastasia. Salvatore Maranzano exercised control over an infamous cadre of racketeers by the names of Bonanno, Profaci, Magaddino, and Luchese. Another of his underlings, not on the level of the others, was one Joseph Valachi.

In early 1931, Salvatore Maranzano, supported by gangsters outside of New York City, was clearly winning and Masseria began to make overtures of peace. Prior to that time, however, well aware that they were going to come out on the losing side, Lucky Luciano and Vito Genovese had already defected from Masseria to Salvatore Maranzano. They apparently were tired of the conflict and wanted to get back to the business of making money by expanding operations into new fertile enterprises.

With Maranzano's blessings, Luciano arranged a lunch with Masseria at a restaurant in the Coney Island section of Brooklyn, on April 15, 1931. When Luciano and "Joe the Boss" Masseria completed their lunch, they began to play cards. Luciano excused himself and went to the washroom. In his absence, several men entered the restaurant and fired twenty shots at Joseph Masseria, 6 of which landed in his back, killing him. Luciano, "his trusted right-hand man" was conveniently out of sight in the washroom at the time.

Shortly after the death of "Joe the Boss" Masseria, Maranzano called a meeting of his followers in the Bronx to tell them how things would now be. He declared himself the "Capo di tutti Capi", the "Boss of Bosses" over all the Mafia families. He divided up the New York Mafia into five new families, which still exist today. The bossess of the five New York families were:

1. Lucky Luciano, with Vito Genovese as his Underboss
2. Joe Profaci
3. Joseph Bonanno
4. Tom Gagliano
5. Vincent and Philip Mangano

Maranzano had many problems in getting along with both Luciano and Genovese. He arranged to meet with them after inviting a well known hired gun, Vincent "Mad Dog" Coll, who was to execute Luciano and Genovese when they showed for the pre-arranged meeting. Sensing a "set up" in the meeting, Luciano sought the aid of a friend, Meyer Lansky. On the day the meeting was to take place, Maranzano was visited at his Park Avenue office by four men posing as New York City Detectives. Invited in by Maranzano they stabbed him six times, but he continued fighting, and they shot him to death. If one believes the testimony of Joseph Valachi, when the killers of Maranzano were fleeing they met Vincent Coll, who had arrived to take part in the Maranzano planned double cross of Luciano and Genovese. Maranzano was killed on September 10, 1931. According to Valachi, by the next day some 40 of Maranzano's old world allies were murdered throughout the country, and the modernization of the Mafia was underway.

Luciano abolished the title "Boss of Bosses" and replaced it with a Commission made up of the leading Mafia bosses in the country. He also formed alliances with, and extended cooperation to, other non-Italian criminals.

With the repeal of Prohibition in 1933, Luciano branched out into numbers and prostitution.

In 1936, Luciano was convicted of compulsory prostitution, and sentenced to 30 to 50 years. In 1945 he was paroled and deported to Italy, where he died in 1962. With the conviction of Luciano, Vito Genovese departed for Italy, leaving the reins of power to Frank Costello, who engaged in large scale political corruption to attain the goals of the Luciano organization.

In 1945, Vito Genovese returned to the United States to face an old murder charge. The key witness in the case, under protective custody, was poisoned to death, and the indictment was dismissed.

Genovese, in an attempt to wrest power back from Frank Costello, arranged the murder of Costello's close friend, Willie Moretti, who was handling family interests in New Jersey. Moretti was suffering from syphilis, which affected his mind, causing erratic actions and unguarded conversations. Genovese created the impression among lower echelon members that Moretti should be killed for his own good. Genovese felt that if he were in similar condition he would want to be put out of his misery, if only to protect "this thing of ours" (in Italian, "La Cosa Nostra").

With the permission of the Commission, an open contract was put out on the life of Willie Moretti, who was a close friend of, and protected by, Frank Costello. In October 1951, Willie Moretti was shot dead in Cliffside Park, New Jersey. In May of 1957, Frank Costello was shot twice in the head, but survived. He did not reveal the identity of the shooter, but decided to retire officially as a Mafia family boss.

In 1951, after many murders, Albert Anastasia assumed control of the family once headed by Vincent and Philip Mangano. Anastasia's plan was to get rid of Vito Genovese, and restore his friend Frank Costello to the leadership of that particular family.

Vito Genovese, however, reached out to one of Albert Anastasia's trusted underlings and convinced him that in the event of Anastasia's death he would rule that portion of the network. Anastasia's trusted underling was named Carlo Gambino.

Gambino and Genovese made arrangements with the Brooklyn boss, Joseph Profaci, to pass on the assignment. In October 1957, in the barber shop of the Park Sheraton Hotel in New York City, Anastasia was murdered, and Carlo Gambino became the successor to Albert Anastasia's crime network.

At that time, 1957, the five organized crime families were under the control of:

1. Vito Genovese
2. Joe Profaci
3. Joseph Bonanno
4. Thomas Luchese
(Tom Gagliano died a natural death in 1953.)
5. Carlo Gambino

Vito Genovese continued to run his family from that time until he was jailed in 1959 for narcotics violations. From jail he continued to run his enterprises through intermediaries, and in 1967 made Gerardo Catena his acting boss. Vito Genovese died in jail in 1969. Catena headed the family until his imprisonment in 1969 for contempt. At that time the organization was run by Thomas Eboli, until he was murdered in 1972. From that point, family business was taken over by Frank "Funzi" Tieri. He maintained his position until his natural death in 1981. During Tieri's periods of poor health, the acting boss for the family was Philip Lombardo.

Joseph Profaci, one of the original "appointees" of Salvatore Maranzano in 1931, continued to run family business until

his natural death in 1962, when his brother-in-law Joseph Magliocco took over until his natural death in 1963. Prior to his death, Magliocco had lost control over the younger members of the family, and upon his death the Commission granted leadership to Joseph Colombo, because of his ability to control both the older, established members and the younger members. He also was strongly recommended for that position by Carlo Gambino. Colombo ran the enterprise until shot and totally incapacitated in 1971. Information indicates that succession went to Vincent Aloï, Thomas DiBella, and Joseph Brancato, in that order. In 1978, John "Sonny" Francese was released from jail and assumed a leadership role until 1980 when Carmine Persico was released from prison.

Joseph Bonanno ran his enterprise upon appointment by Salvatore Maranzano in 1931 until 1964. In 1964 Joseph Bonanno made a power-play and enlisted the aid of Joe Colombo and others to assist him in raising his status. Joe Colombo owed loyalty to Carlo Gambino and advised him of the forthcoming plot of Bonanno to replace Gambino. The Bonanno family was then split into two factions - those loyal to Bonanno and those loyal to Gambino. Bonanno went into hiding and subsequent retirement in 1964. This precipitated a succession of individuals trying for control of the Bonanno faction, namely Frank Labruzzo, Gaspare DiGregorio, Paul Sciacca, and Frank Mari. In 1969, the Commission appointed a triad to lead the family - Paul Sciacca, Philip Rastelli, and Joseph DiFillippi. In November 1969, the Commission appointed Natale Evola boss, and Joseph DiFillippi became an "advisor". Evola died of natural causes in 1973, and Philip Rastelli assumed command. In 1975, Rastelli was sentenced to four years on conspiracy charges. On January 24, 1974, Carmine Galante, a former underboss of Joe Bonanno, was released from prison, and upon Rastelli's confinement, assumed leadership. He held this position until his murder on July 12, 1979 at Joe & Mary's Restaurant in Brooklyn, whereupon Rastelli took over again.

Upon the natural death of Tom Gagliano in 1953 (he had led his faction since 1931), Thomas Luchese, his underboss, assumed control of this faction until he, too, died of natural causes on July 12, 1967. Intelligence indicates that his network then came under the control of Carmine Tramunti. In 1974, Carmine Tramunti was sentenced to jail for 15 years, and turned over control to Antonio Corallo, as acting boss. In 1978, Corallo assumed full control following the death of Tramunti.

Carlo Gambino maintained control of his faction, exerting strong influence on all factions until his death of natural causes in 1976. In 1976, Aniello Della Croce took over as acting boss, until the installation, by the Commission, of Paul Castellano (Gambino's cousin and brother-in-law) in 1977.

At the present time, the five New York crime families are under the control of:

Genovese Crime Family

Philip Lombardo

Genovese died in federal prison in 1969. From 1962 until 1969 this faction was controlled by Gerardo Catena. In 1969 Catena was jailed, and leadership was assumed by Thomas Eboli. Eboli was murdered in 1972, and Alphonse Frank Tieri assumed control until his natural death in 1981. Upon his death, Philip Lombardo assumed control.

Colombo Crime FamilyJerry Langella

In 1981 Carmine Persico was jailed on a parole violation, and Jerry Langella became the acting boss.

Bonanno Crime FamilyPhilip RastelliLuchese Crime FamilyAntonio CoralloGambino Crime FamilyPaul CastellanoTRADITIONAL ORGANIZED CRIMEGAMBINO ORGANIZED CRIME NETWORK

The Gambino Organized Crime Network is now run by Paul Castellano the cousin and brother-in-law of the deceased Carlo Gambino. It is considered to be the largest, most influential criminal organization in New York City. The areas of its operation include the five boroughs of New York City, Nassau, Suffolk and Westchester counties, New Jersey, Pennsylvania, Las Vegas, Connecticut and Florida. This network has not only involved intself in the usual criminal activities, i.e. gambling, narcotics and loansharking, but has also entrenched itself deeply into legitimate business in the food, entertainment and jewelry industries. They are active in union affairs, as well, and are believed to be spreading their influence to other sections of the country. Conferral with other law enforcement agencies indicates activity on the West Coast, especially in California, where members have been observed frequenting the Los Angeles Area.

Intelligence assessments show many pizza parlors in New Jersey and Pennsylvania as being under control of the Gambino Network and using these establishments to employ and conceal illegal aliens. Their influence is also exercised on the Brooklyn waterfront and in the New York City Garment District. Inroads into Atlantic City have also been made through infiltration and manipulation of the service-oriented industries. This assault on Atlantic City is expected to continue through the use of "front men" who possess no criminal record.

The Gambino Organized Crime Network is estimated to have approximately 250 "made" men and 550 associates.

GAMBINO ORGANIZED CRIME NETWORK - 6/27/83

<u>NAME</u>	<u>ADDRESS</u>	<u>DATE OF BIRTH</u>	<u>CRIMINAL RECORD #</u>
<u>BOSS</u> CASTELLANO, Paul	177 Benedict Road Staten Island, N.Y.	04/06/12	B #125933
<u>UNDERBOSS</u> DELLACROCE, Aniello	597 W. Fingerboard Road Staten Island	03/15/14	B #82875
<u>CONSIGLIERI</u> GALLO, Joseph N.	3185 Crescent Street Astoria, N.Y.	01/08/12	NYSIIS # 141227CK
<u>CAPOS</u> ARMONE, Joseph	630 92nd Street Brooklyn, N.Y.	09/03/17	B #125181
AVARELLO, Salvatore	1611 81st Street Brooklyn, N.Y.	03/14/14	B #124515
BILOTTI, Thomas	33 Kensington Avenue Staten Island, N.Y.	03/23/40	B #450459
CONTE, Pasquale	2 Hunts Court Roslyn, N.Y.	03/12/25	
CORBI, Frank	3407 Norman Avenue Baltimore, MD.	01/12/03	B #95838
FAILLA, James	275 Evergreen Avenue Staten Island	01/22/19	E #40903
GAGGI, Anthony	285 Bay 8th Street Brooklyn, N.Y.	08/07/25	B #310985
GAMBINO, Joseph	4116 Bayberry Lane Seaford, N.Y.	01/20/30	NYSIIS # 14892184C FBI #98330256
GARAFOLA, Olympio	151 2nd Avenue N.Y.C.	06/13/04	B #96364 FBI #483023
GOTTI, John	160-11 85th Street Howard Beach, Queens	10/27/40	B #411492
LA FORTE SR., Joseph	197 10th Street Staten Island, N.Y.	03/28/17	B #311255 FBI #2423388
LOMBARDOZZI, Cammine	127 Whitman Drive Brooklyn, N.Y.	02/18/13	B #82464 FBI #290869