

EXPANDED EDITION

YAKUZA

JAPAN'S CRIMINAL
UNDERWORLD



DAVID E. KAPLAN AND ALEC DUBRO

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UNIVERSITY OF CALIFORNIA PRESS BERKELEY LOS ANGELES

The excerpt on pp. 6–7 is reprinted with permission from *The East*, October 1981, Tokyo, vol. xvii, nos. 9 & 10, pp. 47–48.

The excerpt on p. 9 is reprinted with permission from an article entitled “Delinquent Groups and Organized Crime,” in the *Sociological Review Monograph*, no. 10, 1966, published by Routledge & Kegan Paul plc, London.

University of California Press
Berkeley and Los Angeles, California
University of California Press, Ltd.
London, England

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Library of Congress Cataloging-in-Publication Data

Kaplan, David E., 1955–

Yakuza : Japan's criminal underworld / David E. Kaplan and Alec Dubro.—Expanded ed.

p. cm.

Includes bibliographical references and index.

ISBN 0-520-21561-3 (cloth : alk. paper)—ISBN 0-520-21562-1 (pbk. : alk. paper)

1. Yakuza—Japan—History. 2. Yakuza—History. 3. Organized crime—Japan—History. 4. Crime—Japan—History. 5. Gangs—Japan—History. I. Dubro, Alec. II. Title.

HV6453.J33 Y355 2003

364.1'06'0952—dc21 2002007138

Manufactured in the United States of America

12 11 10 09 08 07 06 05 04 03

10 9 8 7 6 5 4 3 2 1

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ACKNOWLEDGMENTS

THIS BOOK IS A COLLABORATIVE EFFORT. OVER THE COURSE OF OBSERVING the yakuza for nearly twenty years, we were helped by so many people in so many ways that it is, quite literally, impossible to thank them all. Our work on the first edition was aided by at least fifty researchers and reporters spread across five continents. The revised edition relied on dozens more.

We have, in addition, drawn on the work of countless others from academia, the media, law enforcement, and the underworld. Many of our sources cannot be named due to concern over job security and, in some cases, personal safety. We regret if others' contributions pass unnoticed here; this book would have been an impossible task without the assistance of all those friends and colleagues, and our heartfelt thanks go to all who helped in any way.

Our foremost thanks go to our old colleagues at the Center for Investigative Reporting, who made this book happen. Our gratitude goes out to Dan Noyes, Sharon Tiller, and David Weir; to Mark Schapiro for saving the project when it nearly died an unnatural death; and to the rest of the CIR family who so enthusiastically supported this work.

We owe three of our colleagues in Japan an equally important debt. Glenn Davis and the late, great John Roberts, two veteran Tokyo correspondents, contributed enormously at virtually every step of this project—from commenting on our initial proposal to arranging interviews, performing research, and critiquing our manuscript. Their expertise and experience helped produce the vast store of information that forms the heart of this book. In addition, their friendship, and that of their families, greatly warmed what was an otherwise freezing Tokyo winter. In addition, we are enormously grateful to the remarkable Michio Matsui, our friend, collabo-

rator, and cultural guide. Matsui-san first translated *Yakuza* into Japanese and proved to be an extraordinary resource and colleague.

Our colleagues at Nippon Hoso Kyokai (NHK), Japan's public broadcasting system, also are deserving of great thanks. Their careful arrangements secured interviews with leading yakuza, allowing American journalists an unprecedented look at the Japanese underworld. Despite countless cultural blunders on our part, NHK producers patiently and skillfully guided us along a sometimes treacherous path. Thanks to Sadaharu Inoue, who helped from the beginning, and to Hajime Suzuki, Atsushi Karube, and Yasuo Onuki.

Our translators and interpreters performed admirably both at home and abroad. Thanks to Reiko Makeuchi for courage far beyond the call of our meager payments; Professor Yuzuru Katagiri, Ike Matsuzaki, and K.T. for offering invaluable help in understanding not only a difficult language but a complex culture as well; and James Chun, Jon Joseph, and Taka Yamada for filling in at critical moments. On the revised edition, three others were similarly heroic and generous with their time: Hiroshi Suto, Kyoko Matsuda, and Michiko Toyama.

In Tokyo, our sincere gratitude goes to Ryuma Suzuki of the Sumiyoshikai. Special thanks also to Chuk Beshar, who proved a constant source of ideas and encouragement. In addition, we were helped immeasurably over the years by many in the Japanese law enforcement community. Most prefer not to be named, but we would be remiss in not thanking Hiroto Yamazaki for his suggestions and hospitality, and Kanehiro Hoshino for his patience and wisdom. Two former top cops, Seiji Iishiba and Raisuke Miyawaki, also offered invaluable guidance. And a handful of friends there were terrific resources over the years: David Bong, Andrew Marshall, Mark Schreiber—thank you so much.

Also in Tokyo, a hearty thanks goes to the estimable Bernard Krisher for his unique contributions to our project. Many others offered their time and suggestions: Dave Butts, Harry Godfrey, Brad Martin, Peter Shigeta, Fred Schmidt, Howard Snyder, Greg Starr. From Nippon Television, thanks much to Hisao Adachi, Yuko Fuse, Atsushi Hatayama, and Toshiya Sugimoto. Jeanne Sather contributed mightily with research and news clips. We extend thanks to the staffs of the Foreign Press Center (especially Shigeyoshi Araki) and the Foreign Correspondents Club of Japan. Hajime Takano and Takao Toshikawa were generous with needed advice and research assistance, and Goro Fujita and Kenji Ino provided invaluable insights. And Tom Gill—thank you for helping on the Japanese edition.

Special thanks go to those around the globe who helped with research and interviews: Stan Correy in Australia, Mike Kepp in Brazil, Ramon Tulfo in the Philippines, Kay Landmann in Germany, Toshimitsu Shigemura in South Korea, and others in Thailand, Hong Kong, and elsewhere who must

remain unnamed. Our researchers at the Center for Investigative Reporting also deserve enormous credit for digging up and compiling key sources of information: Susan Moran bore the brunt of this work. The efforts of Frances Dinkelspiel, Jennifer McNulty, and Brenda Sunoo are also greatly appreciated. And John Sweeney, librarian extraordinaire, thanks for your generous efforts over the years.

In the San Francisco Bay Area, we were helped by Professors Harumi Befu and Chalmers Johnson, who made available their considerable expertise in Japanese culture and politics. Lowell Bergman made invaluable contributions over the years. Thanks also to Sasha Beshler, Brad Bunnin, Bonnie Burt, Tony Crittenden, Barbara Faison, Loren Kelly, John McKenna, Karl Schoenberg, Mike Sterrett, and others unnamed.

In Honolulu, special thanks go to Bill Sweet, Mike Fleming, and others who worked with the U.S. Customs Service there. Also in that city, we owe a good bit of Japanese *giri* to Professor Joe Tobin of the University of Hawaii, who painstakingly went over our original manuscript and made much-needed suggestions. Jim Dooley and Keith Kaneshiro also helped a great deal over the years. And thanks to Bernie Ching and Ron Higa, formerly of the Honolulu Police Department; Hilton Lui, Don Carstensen, Steve Lane, Naomi Sodetani, and Ken Szymkowiak.

In Los Angeles we thank the many veterans of the LAPD who have helped, in particular Yoichi Ikuta, George Min, John Vach, and Jimmy Sakoda. Also in L.A., thanks to Dwight Chuman, Shigeharu Higashi, and Kurashima-san. In New York, thanks to Marnie Inskip and the late Charles Kades, and to our law enforcement sources in the region.

In Washington, D.C., we thank Russell Adise, Don Goldberg, Pharis Harvey, Larry Johnson, John Mintz, Raphael Perl, and Gordon Witkin; Manuel Gonzalez and John Leonard, formerly with the President's Commission on Organized Crime; Tom Melcher for helping sort things out at a critical time; and many others. David Kaplan extends special appreciation to his editors at *U.S. News*, Peter Cary and Susan Headden, for tolerating a sometimes crazed schedule and interests on the other side of the globe.

Our friends at the International Association of Asian Crime Investigators were helpful to a fault, offering everything from guidance to protection. Thanks most of all to the SFPD's Tom Perdue, who is sorely missed; and to so many others, among them Bill Cassidy, Cord Hart, Ken Sanz, Mike Watson, and Jack "Wo Fat" Willoughby. Elsewhere, thanks go out to Fred Gushin, Braith Hill, Rich LaMagna, Bertil Lintner, Bill O'Reilly, Spencer Sherman, and Mark West; Frank Joseph Shulman and Tamiko Cooke of the University of Maryland; Fred Pernell of the National Records Center, Thomas Burkman of Old Dominion College, and the late Howard Schonberger of the University of Maine.

We are greatly indebted to Howard Bray and the Fund for Investigative

Journalism, who generously supported this project at the beginning. Our gratitude also goes to the PEN Writers Fund for its important contribution. And many thanks to those who supported Kaplan's research for the revised edition: the U.S.-Japan Fulbright program, especially David Adams, Mizuho Iwata, and Sam Shepherd; the East-West Center and its congenial hosts, Dick Halloran and John Schidlovsky; and the Woodrow Wilson International Center and Mary-Lea Cox.

Thanks, too, to our editors and others who have made the various editions of *Yakuza* happen. And, of course, our wonderful agents: Bless you Leslie Breed and Gail Ross.

Alec Dubro extends a personal note of thanks to Ruth Dubro, Leon and Shirley Becker, Ben and Toni Coplan, Lee Hamilton, Steve Krinsky, Julie and David Marino, Jim Tobias, and, of course, Kim Fellner for her support over the years. David E. Kaplan gives thanks to his pals Phil Cook and Rocky Kistner, to the Kaplan and Eichner families, to his loving wife Pam and daughter Adi, and to his parents, who made it all possible.

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THE CENTER FOR INVESTIGATIVE REPORTING, founded in 1977, is the only independent, nonprofit organization in the United States established as an institution to do investigative reporting. From their offices in San Francisco, the CIR staff write for leading newspapers and magazines and work closely with television news programs in the U.S. and abroad. Center stories have helped spark congressional hearings and legislation, U.N. resolutions, public interest lawsuits, and changes in the activities of multinational corpora-

tions, government agencies, and organized crime figures. Its stories have won numerous honors, including an Emmy, a Polk Award, a National Magazine Award, and a National Press Club Award. For more information contact CIR at 131 Steuart Street, Ste. 600, San Francisco, CA 94105 or at www.muckraker.org.

PREFACE TO THE NEW EDITION

THE ORIGINAL EDITION OF YAKUZA WAS FIRST PUBLISHED IN 1986 BY Addison-Wesley in the United States. Sales were modest at first, but the book earned a place as a standard reference on Japanese organized crime. Foreign publishers also took interest in the work and eventually *Yakuza* was translated into nine languages. Along the way, the authors encountered some rather odd experiences which added measurably to our understanding of Japanese crime.

A British edition went to three printings and over 30,000 copies worldwide, becoming a best-seller in the Far East. Despite these sales, in 1989 the book's publisher, Robert Maxwell, suddenly ordered our entire inventory shredded, over the protests of his staff. The authors, unaware of all this, were rather puzzled as to why the books so quickly disappeared from shelves around the world. Maxwell, we later learned, was doing a favor for his Japanese friend and backer, philanthropist Ryoichi Sasakawa. This book had reported on Sasakawa's imprisonment as a Class A war criminal and tied him to Japan's underworld and ultranationalist movement. Both Maxwell and Sasakawa are now dead, and no legal challenge was ever made to this book. Unfortunately, the international English edition died an unnatural death.

The authors also had high hopes for marketing *Yakuza* in Japan, where books by foreigners about the Japanese sell well, as do books about the yakuza. But after expressing great interest in the book, publisher after publisher turned down the work. In all, some eighteen houses passed on *Yakuza*, much to our dismay. Our Japanese literary agent finally wrote from Tokyo, attempting to outline the problem. "The content of book presents some possibilities of trouble," he telexed, "as some words refer to racial segregation (our historical problem with Koreans) and references to particular figures in certain political parties and organizations are mentioned in the

book. Most of the publishers fear that when published, they would meet some hindrances and pressures as the book touches taboos of our society.”

A friend in Tokyo suggested the book had become a victim of *mokusatsu*, or death by silence. In 1988, co-author Kaplan gave a talk at the Foreign Correspondents Club of Japan, at which he accused Japanese publishers of in effect blacklisting the book. His talk was widely covered by the Western press, and virtually ignored by the Japanese news media. But from that event, the authors were put in touch with a small, radical house in Tokyo, Daisan Shokkan, whose publisher was determined to release the book. Finally, in 1991, a Japanese-language edition of *Yakuza* was published—five years after the American edition. The Japanese version hit bookstores just as huge scandals tied to the gangs were making headlines, and the book became a best-seller.

By then, though, the book was seriously out of date. Research for the original edition spanned the years 1981 to 1985, and since then the gangs have gone through extraordinary change. *Yakuza* was first published just before Japan’s Bubble Economy took off, inflating stock and land values to dizzying heights and pouring billions of dollars into yakuza coffers. Concern about Japanese gangs spread to police throughout the Pacific Rim, who worried about huge investments and criminal activity. Scandals following the Bubble’s collapse revealed a level of yakuza infiltration into Japan’s top corporations that surprised even the authors. At the same time, the yakuza began to capture imaginations in the West, becoming standard fare in popular culture. They became occasional villains on TV cop shows and in feature movies (*Black Rain*, *Rising Sun*, *American Yakuza*). They appeared as shadowy figures in novels of crime and suspense (Van Lustbader’s *Angel Eyes* and van de Wetering’s *The Japanese Corpse*). They have even been hurled into cyberpunk futures by writers of science fiction (Gibson’s *Neuromancer* and Beshner’s *Rim*).

Many of these depictions are fanciful at best, but the fascination with Japan’s colorful underworld is understandable. Indeed, it has drawn the authors back into the field after years of watching the gangs from afar. In an attempt to pull together developments from the last fifteen years, we have completed several new rounds of interviews and research. Readers will find this edition of *Yakuza* considerably expanded, with three additional chapters on the gangs’ economic impact and expansion overseas. Several other chapters have been heavily revised and the entire book updated. We trust that these changes will meet the approval of disgruntled godfathers and reluctant publishers worldwide.

David E. Kaplan
Alec Dubro
Washington, D.C.
Fall 2002

ENTER THE YAKUZA

IF YOU WANT THE YAKUZA STUFF TAKEN SERIOUSLY, THE MAN FROM JUSTICE said, start by getting rid of those stories about tattoos and missing fingers. That was the message from Washington, D.C., to Michael Sterrett in Hawaii.

It was the spring of 1976 and Sterrett, a sharp young federal prosecutor, was making headlines in Honolulu. For three years he had journeyed to Hawaii to initiate a remarkable set of prosecutions. Working out of any available desk in Honolulu's old federal building, Sterrett obtained a series of convictions that set back organized crime in the islands for years. Now he was pushing hard to open the federal government's first Organized Crime Strike Force office in the fiftieth state, but some of his organized crime reports were generating considerable skepticism.

It had been difficult enough just to gain permission for the flights to Hawaii. Unlike trips to other states, travel to the islands required approval from the number two man at the Department of Justice, the assistant attorney general. And it didn't help that Sterrett's home office at the San Francisco regional headquarters wasn't always taken seriously, or that Hawaii was hardly a priority for Washington policy makers. The state's criminal gangs—an array of Asians, whites, blacks, and Pacific Islanders—received little attention from a federal agency preoccupied with the traditional American mob. No one in Washington had ever built a career on chasing crime around the mid-Pacific.

But Sterrett was getting results. Capitalizing on a rare moment of cooperation between local and federal law enforcement, he had prosecuted and put away “Nappy” Pulawa, the Hawaiian gambling kingpin whose connections included top Las Vegas mobsters. And Sterrett had successfully gone after Pulawa's successor, Earl K. H. Kim, and the members of his gambling syndicate.

It was during his work on those cases, as he pored over police reports, that Sterrett first began to notice the presence of Japanese nationals. Federal officials in Honolulu already were concerned over the growing ties between mainland and Hawaiian crime syndicates. Now a third leg of an underworld triangle began to emerge, one that had been apparent to local police since the late 1960s.

The tattoos and missing fingers comprised the most striking, immediate features of these new criminals. They were not ordinary tattoos, but magnificent, full-color designs of samurai warriors, flowers, and dragons that stretched across the body from neck to calf. And the mutilated fingers—these were the ceremoniously severed tops of the smallest digit, lopped off at the joint and presented to the gang leader as a mark of atonement. Sterrett's memos to Washington, filled with such bizarre descriptions, accurately depicted the classic traits of Japanese organized crime syndicates. After 250 years of crime in the Far East, the yakuza had finally arrived in the West.

At first, Sterrett was puzzled by the appearance of the yakuza. What were they doing in Honolulu, and who did they know? One fact was clear, however—the islands hosted the right elements for organized crime to flourish: machine party politics coupled with a tough labor movement; a hedonistic culture with widespread acceptance of prostitution, gambling, and drugs; and a massive tourist industry that each year gathered millions of visitors from around the world and turned them loose on Honolulu streets.

Perhaps most important was Hawaii's geographic position in the mid-Pacific, a convenient stopping-off point for international trade and travelers from throughout the Orient and North America. It was here that the much-heralded era of the Pacific Basin could be seen firsthand. Trade among the Pacific Rim nations was booming, threatening to overtake the North Atlantic as the world's major market area. The rapidly expanding economies of East Asia, the steady growth of Japan and California, and the emergence of China left little doubt about the region's potential.

Hawaii itself comprised an ethnic mirror of the entire basin. Once populated solely by Polynesians, the islands were now one-third white and one-quarter ethnic Japanese. An assortment of other Asians and Pacific Islanders made up much of the rest. Asian investment capital streamed into the islands from Hong Kong, Japan, and Singapore; investors bought up hotels, banks, real estate, and, in the eyes of the locals, anything that could be purchased.

If this was the dawn of the Pacific Era, reasoned Sterrett, it would follow that the rapid development of legitimate business might be paralleled by an equally burgeoning underworld economy. The American Mafia, after all, had gone international years before with their investments in Europe and the Caribbean, and through their ties to the Italian Mafia, the Corsican

gangs, and heroin refiners from Bangkok to Marseille. It seemed logical, then, that the linking of the Pacific Rim economies would bring new criminal groups into the picture. Reports were already coming into Honolulu about counterfeiters from Taiwan, drug dealers from Hong Kong and Thailand, and suspect investors from Las Vegas, Tokyo, and Seoul. Another set of Asian crime syndicates—the Chinese triads—was also beginning to cause trouble for authorities in both Europe and America.

The potential for organized crime to expand in the Pacific was enormous. Already in the region there existed the power of what Sterrett liked to call shadow governments—underworld states that collect their own taxes and enforce their own laws. Sterrett could see future glimpses of a vast criminal empire that would reach across national boundaries, accountable to no one but the underworld, in which drugs and guns and huge amounts of money would move across the Pacific. The possibilities were endless; who could estimate the impact of a U.S.-Japan crime syndicate on the \$85 billion worth of goods shipped between the two countries each year? What might be the effect of a “yakuza connection” on both sides of the Pacific?

The scenario, though intriguing, seemed a bit too far off and alarmist for a young prosecutor already having trouble getting his memos read. So at first Sterrett hedged, refusing to exaggerate the possible importance of a few Japanese crooks lurking around Hawaii. But in time he changed his mind. “It took a lot of learning to understand what was involved,” he recalled. “Slowly, though, it began to dawn on us that we were dealing with a completely different kind of organized crime problem.”

Detailed information in English about the yakuza was at best scarce. There were translation problems, and, strangely, the Japanese police appeared reluctant to cooperate. Much to the amazement of U.S. law enforcement, requests for information were answered slowly and incompletely. Japanese authorities refused to provide their American counterparts with a list of known yakuza members. Apparently, there were some formidable legal—and cultural—obstacles at hand. What little intelligence did become available, however, raised eyebrows around the old federal building.

Sterrett leafed through a handful of reports on the yakuza from Japan’s National Police Agency and scanned the sketchy profiles then developed by police in Honolulu. The figures cited were striking: 110,000 gangsters lived and worked in Japan, neatly organized into 2,500 “families” and federations. In the United States, with twice Japan’s population, the Justice Department estimated that there were only 20,000 members of the Mafia. It seemed a remarkable statistic for Japan, a country famous for its low crime rates. Yet even the figure of 110,000 gangsters, according to Japanese police, was down from a peak of 180,000 only fifteen years earlier. The huge

yakuza syndicates, furthermore, seemed well financed and highly organized—the criminal counterpart to the country’s efficient, finely tuned corporations.

Sterrett found that, like the American mob, the yakuza service the covert vices: prostitution, pornography, drugs, gambling. He learned that the Japanese gangs share other similarities with their American equivalents: large chunks of the construction and entertainment industries lie under their control, including movie studios, nightclubs, and professional sports. A third of the Japanese mob’s sizable income comes from drug dealing, say police, particularly in methamphetamines—what the Japanese call “awakening drugs.” The yakuza portfolio also includes loan sharking, trucking, and an array of strong-arm, smuggling, and extortion rackets. According to the National Police Agency, the yakuza control thousands of legitimate businesses and countless illegal ones; their impact is felt from small street-side businesses to the country’s largest corporations. And, for a price, they break strikes and help silence dissenters. The gangs are politically powerful as well, extending their influence through shadowy figures to the highest levels of Japanese government.

That, however, is where the similarities with the American mob end. The yakuza are accepted into Japanese society in a way that confounded Sterrett and the few other U.S. officials who bothered to investigate them. Yakuza groups, for example, for years kept offices that prominently displayed the gang emblem on their front doors, much as if they were the local loan company (which, in fact, they often are). This is equivalent to a New Jersey crime family opening an office in Newark emblazoned with the sign *MAFIA HEAD-QUARTERS, LOCAL 12*. Yakuza members are also in the practice of sporting on their suits lapel pins that identify their gang, displaying them with the same pride as Rotarians and fraternity brothers. Several of the largest gangs publish their own newsletters or magazines, complete with feature articles, legal advice, and even poetry written by gang members. After gang wars, the feuding leaders have even called press conferences, announcing that the fighting has ended and apologizing to the public for any inconvenience they might have caused.

Clearly, there was a very different tradition of organized crime at work here, one that Western cops had never encountered before. Some of the material Sterrett came across seemed pretty far-fetched. The yakuza appeared to be living anachronisms, samurai in business suits. They cast themselves as the moral descendants of Japan’s noble warriors, the last upholders of the nation’s traditional values. The Japanese public, furthermore, seemed to accept this. The gangsters had somehow developed an enduring image as patriots and Robin Hoods. They seemed not so much a Mafia as a loyal opposition, the honorable members of Japan’s criminal class.

Out of all his research, though, what struck Sterrett most were the re-

ports of ritual finger-cuttings—the very items he was told to keep out of his memos to Washington. They symbolized to him in one act the radically different nature of the Japanese gangsters. “Here were individuals so devoted they were willing to endure amputating their own fingertips for the boss,” he said. “The motivation, the loyalty of these people were things we’d just never seen before.”

Impressed with their organization, their size, and reports of their increasing activity in Hawaii, Sterrett began building a file. He soon learned that his vision of a trans-Pacific criminal cartel might not be so far off the mark. Yakuza members had been seen by Honolulu police mixing with both local and mainland organized crime figures. They had become involved on the islands in prostitution, pornography, extortion, and gunrunning. Apparently, they were venturing to the mainland as well—to San Francisco, Los Angeles, and Las Vegas. Other reports showed that, since the early 1970s, the Japanese mob had gone international, expanding into South Korea, Southeast Asia, and a host of other regions around the Pacific Rim. By the early spring of 1976, Sterrett was finally convinced that the yakuza did in fact pose a problem meriting federal attention.

The watershed event for Sterrett, though, occurred in May of that year, when Wataru “Jackson” Inada was found murdered in his Honolulu apartment. Inada, a small, tough ex-boxer, got caught up in Hawaiian rackets and drug dealing upon his arrival from Tokyo in 1972. He bore on his back the ornate tattoos of a yakuza, which he acquired as a soldier in the 6,000-member Sumiyoshi federation, one of Japan’s largest syndicates. Police believe Jackson’s murder was a result of an ambitious, though ill-fated, heroin deal involving West Coast Mafiosi.

The Inada case was what Mike Sterrett later called the beginning of the institutionalization of the yakuza in the United States. Within two short years, Jackson Inada had made connections to high-ranking members of the mainland Mafia. He had allied himself with the leading figures of Hawaiian organized crime, while maintaining his relationship to the yakuza in Japan. And he had made American law enforcement take a hard, second look at the potential impact of the tattooed men. Sterrett’s Strike Force office was opened a year later, in 1977.

It had been a frustrating fight for recognition, Sterrett recalled. “You have to remember,” he said, “that it had been only ten or eleven years since the Mafia’s existence was officially even acknowledged by the FBI and Justice. They didn’t want to hear about non-Mafia activity; their priority was La Cosa Nostra. Now imagine: there I was, someone who took over twenty trips from, of all places, San Francisco, to Honolulu, warning the Justice Department about yet another organized crime group whose members amputated their own fingers . . .”

Sterrett’s work, however—including his exotic memos—began to get

closer attention from Washington, and in 1979 he was given charge of the San Francisco regional office. Before leaving, he would see his hunches about the yakuza start to come true.

By 1979, the Japanese gangs had become big news in Hawaii, with extensive press and television coverage of their involvement in drugs, gambling, and prostitution. But it took a second smuggling case, after Inada, to really set off the alarm. In May 1979, a trio of yakuza “mules,” or couriers, were arrested at Honolulu International Airport. Each man held one pound of white Asian heroin stuffed into his carton of Dunhills. A passport check revealed a total of sixteen trips to Bangkok, Thailand—the probable source of the heroin—and twelve subsequent journeys to Hawaii, Guam, and San Francisco. A search of their homes in Tokyo by Japanese authorities turned up a strange set of instructions carefully spelling out the duties of the smugglers: “You should obey whatever you are told to do by your group leader,” the document read. “You have no choice, you cannot refuse or complain of the leader’s instruction. The above instructions are given at the request of the financier in order to protect ourselves and to accomplish our work.”

U.S. officials were alarmed. According to a classified report by the Drug Enforcement Administration, the arrests “clearly demonstrate” that the yakuza are “furiously engaged in heroin smuggling . . .” The DEA’s fears were echoed by federal investigators at a 1981 congressional hearing, who warned: “It’s only a matter of time before the yakuza groups become seriously involved in the smuggling of heroin into the United States.” Authorities had become justifiably concerned that, given the yakuza’s excellent organization and reserves of cash and men, they could develop into the most efficient importers of narcotics into the West Coast.

American law enforcement, meanwhile, began finding extensive yakuza investment in Hawaii and California. Hidden by the vast movement of capital between Japan and the United States, the yakuza’s illicit profits were being laundered through American real estate, hotels, and what the Japanese call *mizu shobai*—literally, “water business”—bars, restaurants, and nightclubs. Using souvenir shops as fronts, the yakuza muscled into the lucrative Japanese tourist trade in Los Angeles and San Francisco. They developed as well a multi-million-dollar racket in the smuggling of hard-core pornography and handguns to Japan. There were also charges of white slavery rings in which fraudulent talent scouts recruited young female entertainers in the United States and, once in Japan, forced them to work as prostitutes and sex show performers.

By 1981, the yakuza had begun earning their share of attention from the American public as well as the police. A parade of stories on the coming of Japan’s Mafia marched out of the media. In *Newsweek*, the *Los Angeles Times*, Jack Anderson’s column, and on local and national television, the

groups were profiled, their activities exposed. Most of the coverage, while at times sensational, was accurate, quoting police about the extent of yakuza heroin dealing and dwelling on the huge size of the gangs and their strange customs.

Predictably enough, a handful of reports began to surface, laced with what might charitably be called latent racism. One news headline, summoning fears of another era, spoke of Japanese criminals “invading” the West Coast. Another publication went further, depicting on its cover a monstrous gangster looming out of Japan, enshadowing Hawaii and threatening Los Angeles. It was the yakuza as yellow peril, an easy jump for people needing scapegoats for U.S. foreign trade problems. In liberal San Francisco, a popular radio talk show focused on the yakuza one day, only to attract callers denouncing the Japanese as the cause of America’s economic malaise, with one enterprising woman suggesting a full trade boycott until “these people” stop sending their criminals abroad. There was the porno magazine cover story, featured in bold headlines: “First came the Japanese televisions, stereos and radios that flooded the American marketplace. Next was the invasion of Japanese-made autos that helped cripple our economy. Now an even greater threat to America has arrived—the Yakuza.”

The yakuza do indeed pose a threat to the United States, but this threat hardly merits archaic racist stereotypes bound up in the frustrations of an economic trade war. The problems, of course, are more complex, involving what Mike Sterrett called the institutionalization of the yakuza. It is the prospect that, like other organized crime groups, once entrenched in a host country, the yakuza will be extremely difficult to dislodge. They will have found a home abroad.

There is another, equally compelling reason for the West to be wary of the yakuza, a reason more profound, yet at first perhaps less alarming: organized crime in Japan is extraordinarily politicized. The modern history of the yakuza is intertwined with that of Japan’s extreme right wing, a bizarre group of emperor-worshipping activists who were the most virulent force behind that country’s rise to domestic fascism and military expansion. Although currently less powerful than in the prewar period, the ultranationalist right still makes waves in Japan. So closely associated with the yakuza are these extremist bands that at times the groups are indistinguishable. There is no near analogy in American society. In some respects it is as if the Ku Klux Klan and the Mafia formed an enduring, politically potent alliance.

Over the years, this often violent coalition of rightists and gangsters has served as a paramilitary force for Japan’s Liberal Democratic Party, the LDP, which has exercised an enduring hold over the nation’s postwar politics. It is a history that rivals the worst traditions of corruption in America. So rooted in Japanese culture are these practices that at times they defy the very meaning of *corruption* as used in the West. More important, the politi-

cal workings of the yakuza have over the years influenced critical events in Japan, at one point with the active complicity of U.S. intelligence agencies. Today, their activities continue to bear heavily on the future of America's chief Pacific ally and largest overseas trading partner, influencing key issues that include, foremost, the rearming of Japan.

When Michael Sterrett first investigated Honolulu's Japanese gangsters, he could not have realized how true his intuition would prove: the yakuza are not simply another organized criminal gang. But then, they have always been something more.

PART I

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