The Triads as Business

Yiu Kong Chu

Routledge Studies in the Modern History of Asia

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There is no doubt that the triads have become recognised as a sophisticated international criminal force. Their very name conjures up images of intrigue, mystery, brutality and violence and, following the handover of Hong Kong to China on 1 July 1997, there have been increasing fears that the influence of the triad societies will spread through emigration. This book investigates the reality behind the myth. Yiu Kong Chu here looks at the triads in Hong Kong, generally regarded as the headquarters of triad societies throughout the world. He describes their origins, their organisation, their involvement in legitimate businesses from the entertainment and construction industries to street hawking and the wholesale fish markets of Hong Kong and, finally, their part in illegal activities around drugs, gambling, prostitution and human smuggling.

Based on interviews with ex-triad members and victims of the triads and with police from Hong Kong, mainland China and Europe, as well as on documentary evidence, *The Triads as Business* gives a vivid and compelling picture of the triads as part of a wider society.

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Foreword

For reasons the reader should easily grasp, original research on organised crime is in general rather scanty, and on triads in particular is almost non-existent. The only predecessor to Yiu Kong Chu's book this century, W.P. Morgan's *Triad Societies in Hong Kong,* is 40 years old.

Thus, *The Triads as Business* stands virtually alone in its field. But it can claim more than mere uniqueness. Unlike many writings on organised crime, there is nothing speculative or conspiratorial about it. Based on a wide-ranging empirical research carried out by its author with unparalleled determination over several years, this book does not just contain a rich crop of descriptive information on this phenomenon. It also tests some hypotheses derived from the economic theory of organised crime originally developed with reference to the Sicilian mafia. Written in an unassuming and succinct style, *The Triads as Business* aims to illuminate and to inform rather than to impress. And what it does illuminate often turns out to be interesting and unexpected.

For example, the link between organised crime and purely extortionate activities is shown to be largely a misconception, albeit a widespread one. More often than not, triad groups, just like the mafia, provide effective protection services to economic agents in several markets of both legal and illegal commodities. Rather than being victimised, dealers and entrepreneurs themselves often call on and bargain with triad members for various forms of assistance, especially if legal or self-managed options are either unavailable or inefficient. They occasionally end up not liking very much the services they get or how much they are asked to pay for them, but still prefer to have them of poor quality rather than not having them at all. To be sure, triad activities do have their victims - such as unprotected competitors, consumers and rival gangs – but also many beneficiaries. Triads are indeed an integral rather than a mere predatory element of many sectors of the economy.

Contrary to another misconception, triads are not an all-powerful organisation, equally and firmly in control of every sector, legal or illegal, upon which they set

their eyes. There are conditions that prevent or lead to their involvement in any one sector, which are governed by powerful economic mechanisms. In the markets of legal goods, for instance, Chu's research confirms the evidence, found both in Sicily and in the United States, that mafia-like groups are particularly apt to provide the 'muscle' that makes cartels viable, by both discouraging new entrants and ensuring that cartel members comply with their collusive agreements. It also bears out the finding that the sectors liable to this type of triads intervention have low product differentiation, low technology and low barriers to entry; and are those in which labour is unskilled, demand is inelastic and firms are many and of small size (Gambetta and Reuter 1995).

In the markets of illegal commodities too, triad involvement varies greatly by type and extent. It generally grows as the exposure of agents to the risk of robbery, cheating or extortion grows. At the same time, it diminishes if the markets involved operate in more than one territory at once, for this makes it harder to match the dynamics of these markets with triads' territorial structure. In some cases, such as wholesale and retail markets in narcotics, in which the weight of the protection services required is large relative to other assets or skills, triads tend to become more heavily involved and at times to run the business themselves rather than to act as mere protectors. By contrast, in international drug trafficking, in which the financial skills and technologies required as well as the chains of exchange are complex, triads often are, contrary to a common view, ill-equipped to play a major part.

One of the striking results of *The Triads as Business* is to reveal that many features of organised crime groups are not culturally or ethnically determined, and shows that the same economic framework can successfully explain how these groups operate and organise themselves in different parts of the world. Triads share with the mafia essential traits. Similarities are not just confined to the markets that they penetrate and to their organisational structure, which is not centralised but rather fragmented and localised. Nor do they concern only the fact that in both groups affiliation is not based on kin – contrary to what viewers of *The Godfather* are led to believe. The parallels extend even to the use of an initiation ritual and to their foundation myth: mafia and triads both claim as their founders a secret sect of seventeenth-century rebels and avengers, *I Beati Paoli,* and the monks of the Shaolin Temple respectively.

But Chu's research also gives us the opportunity to search for interesting organisational differences. For instance, the mafia, especially in Sicily, seems to have been relatively more successful in preventing the formation of competing groups. Mafia 'families' enjoy a degree of independence and occasionally engage

in warfare with one another, but operate under the same 'trademark', sharing both a common reputation and initiation ritual. Triad groups, by contrast, comprise several 'trademarks' with a common initiation ritual but varying reputations and distinct origins. Furthermore, the rules that govern affiliation seem more lax in triad groups, to which even a few women have been initiated, than they are in the mafia. These and other differences, which the interested reader will no doubt detect, suggest the presence of group-specific processes. The realistic picture of triad operations and make-up that Chu provides offers us the right kind of cumulative knowledge that makes further comparative investigations possible.

Diego Gambetta
All Souls College, Oxford
July 1999

Preface

In Hong Kong, triads are known to have been long involved in the illegal businesses of drugs, gambling, prostitution, loan sharking, debt collecting, and smuggling. Triads are also notorious for organised extortion from legitimate businesses, such as the entertainment industry, street hawking, wholesale markets, minibus services, interior decoration businesses, the trading of properties, and the film industry. Since Hong Kong triads are believed to be increasingly active in drug trafficking, human smuggling, and economic organised crime such as credit card fraud, counterfeiting, and money laundering, Western police predict that these triads will replace the Italian mafia as the most powerful criminal organisation in the world in the next century. Are these contentions correct? To elucidate what exactly triads do in different kinds of organised crime, this book, inspired by Gambetta's economic theory of protection, aims to critically analyse the role of Hong Kong triads in legal, illegal, and international markets in simple economic terms.

The first part of the book deals with the origin and organisation of Hong Kong triads, discussing whether the triads were imported from Qing China to facilitate the patriotic movement against the alien ruler or emerged spontaneously to respond to the conflict among different migratory dialect groups for job opportunities in labour markets at the turn of the century, and whether triad societies are centrally structured or highly unorganised. The second part examines whether triad members are mere extortionists or are able to provide real services to the business community. Triad involvement in entertainment businesses, the construction industry, outdoor filming, street hawking, minibus services, wholesale fish markets, interior decoration businesses, the selling of new flats, and the film industry are discussed. The third part deals with triad involvement in illegal markets. Using the examples of drug dealing, gambling, and prostitution, this research tests whether Hong Kong triad members directly operate illegal businesses or simply sell protection to entrepreneurs in the illegal industry. The fourth part concerns whether all international Chinese organised crime is committed by Hong Kong triads. Triad involvement in drug

trafficking and human smuggling is selected for discussion. The final part reflects whether Hong Kong triads are extortionists, entrepreneurs, or protectors and indicates international movement of triads and new directions in the study of triads.

This is a qualitative study based on a literature review and in-depth interviews. The documentary sources include newspaper and magazine articles, official reports from law enforcement agencies, and published documents on Chinese secret societies and organised crime. The main targets of interviews were Hong Kong anti-triad police officers. Interviews were also conducted with ex-triad members, social workers, reporters, teachers, and triad victims (see Appendix 1: Data sources). Law enforcers from Europe and China dealing with Chinese organised crime were consulted.

Yiu Kong Chu
September 1999

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The most difficult part of this study was the fieldwork. It could not have been done without the generous assistance of the Hong Kong Police. I owe a particular debt to Chief Inspector Peter P.F. Ip and his colleagues in the Research Unit of the Criminal Intelligence Bureau. I also wish to thank the police officers from China, the UK and other European countries for agreeing to be interviewed. My special thanks also go to the police students at the University of Exeter, who shared their valuable experiences in dealing with organised criminals.

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Newspaper and journal abbreviations

AM	*Asian Magazine,* Hong Kong
CU	*Cover-ups,* Hong Kong
EM	*East Magazine,* Hong Kong
FEER	*Far Eastern Economic Review,* Hong Kong
HKEJ	*Hong Kong Economic Journal,* Hong Kong
HKS	*Hong Kong Standard,* Hong Kong
MP	*Ming Pao,* Hong Kong
NEP	*New Evening Post,* Hong Kong
NM	*Next Magazine,* Hong Kong
OD	*Oriental Daily,* Hong Kong
SCMP	*South China Morning Post,* Hong Kong
SP	*Sing Pao,* Hong Kong
STE	*Shing Tao European,* UK
STJP	*Sing Tao Jih Pao,* Hong Kong
TKP	*Tai Kung Pao,* Hong Kong
WAM	*Wide Angle Magazine,* Hong Kong
WKJP	*Wah Kiu Jih Pao,* Hong Kong

Chapter 1

Triads, business, and markets

Triads are a menace

It is claimed that triad members existed among the indigenous inhabitants of Hong Kong Island even before the British ceded it to be their colony in 1842. On 8 January 1845, the first Ordinance to pass the Legislative Council was to deal with the suppression of triads and other secret societies. After 150 years, to date, triad societies still exist in Hong Kong, which is now a Special Administrative Region of the People's Republic of China.

It has long been believed that Hong Kong triads possess a central organisation with a 'godfather' at the top directing their local and overseas branches to organise a variety of criminal activities. The influence of the triads seems to have reached every corner of Hong Kong society – from school bullying gangs to drug rackets, illegal gambling, loan sharking, prostitution, illegal immigration, and extortion through to bona fide business operations like restaurants, clubs, and transport companies. Hong Kong triads are also believed to pose a serious threat to the law and order of Western societies. As Black (1991) asserts:

> Before Communist China takes over Hong Kong in 1997, the world's most ruthless criminal cartel will be stepping up its bid to take control of the underworld of Western society, and to spread within our culture like a criminal cancer. This cartel is the Chinese Triads – the yellow peril of the East, and now the West.

Are the above contentions correct? Ironically, in the 1960s and 1970s official US agencies held a similar conspiracy view that there was a nationwide syndicate known as mafia or Cosa Nostra which was alien to American society. It was organised by Italian immigrants who were of Sicilian origin. This alien organisation was so rigidly structured and highly centralised that it was able to control the whole American underworld. Hong Kong triads – the Chinese mafia – are now perceived as a giant criminal organisation with an omnipotent power controlling local and overseas branches for various criminal activities.

The study of Hong Kong triads

While contemporary Hong Kong triads have attracted much media attention locally and internationally, very little research has been done on this subject. The only comprehensive study on Hong Kong triads is Morgan's *Triad Societies in Hong Kong* published in 1960. This was a police report describing triad activities and practices in Hong Kong from 1945 to 1958. There are also many short articles written by Hong Kong and Western police officers who have dealt with triad criminals in the last twenty years (Ellithorpe 1974; Straten 1977a,b; Winterton 1981; Donnelly 1986; Roache 1988; Andrae 1989; Boocock 1991; Main 1991; Merritt 1991a,b; Ball 1994; Williams 1994). In addition, several journalistic books about contemporary triads have been published (Robertson 1977; Posner 1988; Booth 1990; Black 1991). Although these publications provide some valuable information about triads in Hong Kong or in overseas Chinese communities, they are investigative reports rather than academic works.

Since the 1980s, several Hong Kong scholars have carried out research on some aspects of triad societies. Lo (1984) discusses the relationship between juvenile gangs and triad societies. Chan (1987) examines the process of becoming a triad member. Che (1990) deals with the causes of delinquent youths' participation in triad activities. Huque (1994) discusses the Triad Renunciation Scheme which allowed triad members a chance to sever ties with their organisations in the early 1990s. Bolton, Hutton and Ip (1996) give a detailed account of many of the issues relating to the use of triad language. Since the research papers above are short reports or articles, they do not provide a sound theoretical approach for the study of Hong Kong triads.

Two outstanding pieces of research on Chinese secret societies or criminal gangs in overseas Chinese communities have been published. Mak's book on *The Sociology of Secret Societies* (1981) argues that there are three conditions which gave rise to the emergence and persistence of Chinese secret societies in Singapore and Malaysia: (1) the inadequacy of legal protection given to the Chinese immigrants in the early Straits Settlements; (2) the adaptability of secret societies to change, for example the shift in their activities from occupational monopolisation in the early Straits Settlements to territorial demarcation in contemporary society and the reduction in hierarchical positions; and (3) the symbiotic relationship between local Chinese secret societies and the larger society. Although Mak's research gives unique insights into the emergence of Chinese secret societies, there is little discussion of organised crime committed by secret society members in Malaysia and Singapore.

Chin's book on *Chinese Subculture and Criminality* (1990) represents the first systematic academic research on Chinese organised criminality. Chin adopts a subculture theory to investigate the relationship between triad subculture and gang delinquency in New York's Chinatown. He observes that in the development of

Chinese crime groups, the values and norms of triad subculture have been paramount. Initially, triad subculture stressed patriotism and righteousness. Later, loyalty to the triad groups replaced these and brotherhood became the core value. However, when the manifest and latent functions of these self-help groups became less important, the groups gradually replaced their patriotic or benevolent causes with criminal activities. Thus, Chin claims that the degeneration of patriotic triad societies into criminal gangs is due to the change of triad values and norms over the past two centuries.

Although there is no doubt that Chin's study has produced enormously valuable data about contemporary Chinese gang activities in the USA, his subcultural explanation does not seem to match very well with historical facts. According to recent historical findings, the Tiandihui, the original name of the triad society, did not appear to be an anti-government organisation. It was originally a mutual-aid association which emerged to resolve the conflict among various migratory dialect groups in the southern regions of Fujian province in mid-eighteenth-century China. More importantly, members of Tiandihui, or triads, at their earliest stage, were involved in different kinds of organised crime, especially selling protection to the people who needed to travel frequently for a living (Murray and Qin 1994).

In addition, the basic elements of triad subculture or norms are surprisingly similar to codes of conduct of other well-established criminal organisations, such as the Sicilian mafia. For instance, both organisations emphasise 'Do not disclose the secrets of the organisation', 'Do not become police informants', 'Do not betray your fellow members', 'Do not become involved with the wives of your colleagues', and so on (Morgan 1960; Gambetta 1993). Thus, it seems more interesting to study why different ethnic crime groups adopt a set of similar rules than use these 'cultural characteristics' to explain the behaviour of triad members (Diego Gambetta, personal communication, 21 May 1996). Since academic studies, theoretical writings in particular, on Hong Kong triads are extremely limited, we are still not sure what exactly Hong Kong triads do in different kinds of organised crime.

Organised criminals: entrepreneurs, extortionists, or protectors?

Over the years, organised crime has been a subject of controversy in criminology. There is no consistent definition of organised crime. 'Organised crime' has been used interchangeably with 'syndicate crime', 'professional crime', 'organisational crime', 'illegal enterprise', 'underground empire', 'gang', 'secret society', or simply 'mafia'. Related to the definitional debates are controversies about the origin and organisation of organised crime. Is organised crime an imported product or an integrated part of the society? Is organised crime centrally structured or highly unorganised? In recent years, some scholars have tried to focus on the core activities of organised crime. Do organised criminals mainly supply illegal goods and

services, or do they practise extortion or sell private protection?

Since traditional US authorities see organised crime as a conspiracy, organised crime groups are believed to participate in all kinds of illegal activity. In 1966, Hoover, the FBI director, said: 'La Cosa Nostra is the largest organization of the criminal underworld in this country, very closely organized and strictly disciplined. They have committed almost every crime under the sun …' (President's Commission on Law Enforcement and Administration of Justice 1967: 19).

Smith (1978, 1980) and Haller (1990) do not agree that there is a giant criminal organisation, such as mafia, which is able to monopolise illegal industry. They claim that organised crime is a set of small and ephemeral illegal enterprises which emerge to respond to market needs. In this context, organised criminals are entrepreneurs who provide the goods and services which are proscribed by law. However, Schelling (1984) argues that 'organised crime' is not directly involved in running illegal businesses. He claims that the core activity of a 'criminal organisation' (e.g. mafia) is 'extortion' and its major victims are illegal entrepreneurs who supply illegal goods and services to the public. Illegal entrepreneurs are weak at protecting themselves because they are deprived of legal protection and this gives the criminal organisation the opportunity to extort money from them.

Gambetta (1993) has developed an economic theory of protection and has applied it to the Sicilian mafia. His theory gives unique insights into the origin, organisation, and role of the Sicilian mafia in the markets of both legal and illegal commodities. Protection, he argues, is a key resource in transactions in which there is a high risk of cheating and in which state protection is either unavailable or inefficient. Private and essentially illegal agencies, such as the Sicilian mafia, may emerge to provide protection to entrepreneurs operating in these markets.

The mafia was originally a southern Italian phenomenon – particularly virulent in western Sicily (Gambetta 1993: 75–99). Its geographic distribution was the result of the distrust endemic to the area, which became particularly marked after feudalism was officially abolished in 1812. The main effect of the demise of feudalism – the transformation of land into a market commodity subject to legally defined individual property rights – created a new demand for protection by property owners. Nevertheless, the new Italian state – which has never completely succeeded in acquiring legitimacy in the south – was not very effective in enforcing private property rights and in settling disputes. The lack of public trust thus turned that demand into one for *private* protection. Gambetta claims that the existence of this demand does not imply that someone able to meet it will necessarily emerge. In Sicily, however, many men versed in the use of violence – private armies, disbanded soldiers, and bandits – became unemployed after the break-up of feudalism and began to sell private protection to whoever wanted to buy it. It was from these groups, Gambetta argues, that the mafia originated.