

## **Yakuza. The Socioeconomic Roles of Organized Crime in Japan**

ALBRECHT ROTHACHER

### **Introduction**

Compared with all other national types of organized crime, the Japanese *yakuza* are unique in their overt operations and in the toleration of their organizations and of most of their illicit pursuits by the public authorities.

This article reviews the main modes of operation and the organizational patterns of the *yakuza*, describes their social functions and "services" rendered, as well as the social costs which the toleration of large crime syndicates engenders for Japan's society at large, and, finally, takes a look at recent policy responses.

According to National Police Agency estimates, there are 90.000 gangsters operating in Japan<sup>1</sup>. They are organized in 3100 gangs, half of which are affiliated with the three largest syndicates Yamaguchi-gumi, the Inagawa-kai and the Sumiyoshi-kai. The police conservatively estimates the total annual income of the gangs to be in the order of 1300 bio Yen. 80% of this income is of illegal origin, and 20% from legal business transactions. Drug trafficking - smuggling metaamphetamines from Taiwan and retailing them in Japan - is by far the most profitable activity, followed by gambling and bookmaking, prostitution, intervention in civil affairs (the collection of bad loans, "settling" compensation claims for traffic accidents out of court), protection money (blackmail), and straightforward racketeering.

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1 National Police Agency (NPA). *The Police of Japan 1989*. Tokyo 1990, p. 38. Further quantitative data on organized crime are taken from the more extensive original: Keisatsucho. (NPA). *Keisatsu Hakusho. Boryokudan taisaku no genjo to kadai*. (Police White Book. Tasks and Present State of Countermeasures against Organized Crime). Tokyo 1989. Some updates of the police findings on structures are found in: *Far Eastern Economic Review*, 21.11.1991, 28-34.

Even a casual visitor to Japan and to its waste entertainment areas in Tokyo, Osaka, Nagoya and other cities cannot overlook the presence of the *yazuka*, dressed in a distinctly flashy, yet intentionally intimidating, fashion: A "punch perm" hair cut, dark sunglasses, black striped or white suits and shoes, expensive gold jewelry and watches - and for bosses: white or black bullet-proof cadillacs or Mercedes cars with aerials and golden external fixtures. Their omnipresence keeps petty ("freelance") street crime away and signals to all concerned which gang is the master of the district - and hence entitled to protection money and profit cuts from all local business establishments.

Some of the *yazuka*'s exotic rituals were popularized in the West by Ridley Scott's gripping movie "Black Rain". They cover cut finger tips, elaborate tatoos, the enforcement of complex feudalist norms and the construction of a (phoney) samurai mystique of bravery, chivalry and an action-oriented adventurous way of life, carefully cultivated by in-house propaganda literature<sup>2</sup>. This serves to create a separate social identity and self-stigmatization - separate from the conformist mainstream of Japan's middle class society - which is convenient for group cohesion and for attracting new recruits who have deviated from the societal norms.

## Social Roles

Socially the *yakuza* exercise stabilizing functions:

The absorb the misfits and rejects of Japan's highly competitive education and degree-oriented employment system. A highschool dropout with a record of minor delinquencies has little prospect other than remaining an underpaid day labourer in construction or in unskilled services. The *yakuza* seem to offer career prospects with easy money, women and status symbols within reach. The *yakuza*'s recruitment efforts seem to be particularly successful among Korean and Chinese immigrants and the discriminated *burakumin* outcast communities, whose members have little chance of succeeding in the Japanese main stream.

Young gangster apprentices are subjected to strict discipline within the group, and begin with unpleasant and poorly remunerated menial chores. It is only after years of faithful services and having served prison

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2 Wolfgang Herbert. *Yakuza - ausgegrenzte Subkultur oder integrierter Teil der japanischen Gesellschaft*. Ernst Lokowandt (ed.) *Zentrale und Peripherie in Japan*. München: iudicium. 1992, 79-105, p. 86.



sentences that they rise to "middle management" positions of junior leaders. While a good part of Japan's misfits are thus taken care of and operate in fairly "transparent" and predictable ways for the public authorities, they at the same time discipline Japan's underclass. In the labour struggles of the 1950s and 1960s the *yakuza* were hired to beat up strike pickets and to terrorize leftist union leaders. (They and their right-wing allies still continue this tradition by harassing, for instance, Japan's left-wing teachers' union, Nikkyoso). In everyday life, however, the *yakuza* are visible in the collection of unpaid debts owed to loan sharks (*sarakin*), which are sometimes also sold to the *yakuza* by *bona fide* banks. Normally lower class debtors are intimidated until they pay up. They also organize the day labourers for construction, stevedoring or other unpleasant heavy work, while keeping a large percentage of their low wages in return. In their downtown (*shitamachi*) and entertainment districts the *yakuza* also prevent vandalism and keep petty street crime at bay, and - for a heavy fee - ruthlessly settle civil disputes among the residents or with customers.

## Gang Structures

Since April 1989 Yoshinori Watanabe has assumed the function of *kumicho* (supreme chief) of the Yamaguchi-gumi, making him the near absolute commander of some 30.000 gangsters who are organized in around 800 gangs with an average of 35 members. The *kumicho* is assisted by an executive committee of 12 major regional Yamaguchi-gumi chiefs. They meet monthly (on every 5th of each month) in the gang's Kobe headquarters to discuss current business and to settle turf battles between the subgangs. Later the meeting is joined by 92 chiefs of major subgangs (or their deputies) for a monthly strategy session. All of them have to pay a monthly membership fee of 1 mio Yen to the *kumicho*, which is used to cover various administrative and social expenditures of the headquarter's organization. Only if their fees are paid regularly and they remain obedient to *kumicho's* instructions, are the subgangs allowed to use the Yamaguchi-gumi's fear-inspiring logo for their gangs' offices, for their business cards and their lapel pins. Intragang harmony did not always rule. When Watanabe's predecessor Kazuo Taoka died in 1981 (he had been *kumicho* for some 35 years), violent disagreement broke out over the succession. In fights with a breakaway syndicate more than

30 people (gangsters mostly) were killed, and some 100 injured, until in April 1989 peace was brokered and the Yamaguchi-gumi reunified.

During the 1980s Japan's gangland also saw rapid concentration. Ten years ago the three largest syndicates (Yamaguchi-gumi of Kobe/Osaka, Sumiyoghi-kai of Tokyo and Inagawa-kai of Yokohama), comprised only 22% of all gangsters. Today they account for 50%. Smaller gangs are either absorbed or destroyed. As members of the larger syndicates, however, the heads of the gangs retain some autonomy on how to manage their daily business in their respective operational sectors and territories.

Internally all relations are strictly hierarchical, following near sacred *oyabun-kobun* (boss-follower) ties of seniority and loyalty.

### Political Roles

The *yakuza's* primary motive remains financial gain. But they also play eminently political roles. The *yakuza's* political links - especially to the ruling LDP, to right-wing groups and to the (centrist) Democratic Socialist Party - are manifold and have been documented elsewhere in extenso<sup>3</sup>.

The *Yazuka* offer to select conservative members of parliament cash, manpower (as campaign staff) and other services. They are ready for "dirty business" occasionally thought necessary, but with which senior politicians do not wish to be associated.

Past examples include measures to discipline delinquent family members, to supply bodyguards, to prevent journalists from doing unwelcome researches, to intimidate intra-party opponents, or to render some other strong-armed business service.

In return gangsters are assured of some level of political protection, which helps them against the police, the public prosecutor and the tax authorities, and assures them of the continued pursuit of their lucrative illicit businesses.

According to some observers<sup>4</sup>, however, association with leading gangsters has become too much of an embarrassment to senior

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3 David E. Kaplan and Alec Dubro. *Yakuza. The Explosive Account of Japan's Criminal Underworld*. London: Macdonald & Co 1987. (See also my review of the book in: *Internationales Asienforum*, 20, 1989, 378-379).

4 Like Professor Yukio Hori in the *Asahi Shimbun* of 10.4.1990.



politicians - who feel that the benefits received no longer warrant the risk of a soiled reputation, so that most - but not all - LDP MPs are today at pains to dissociate themselves and their staff from known underworld figures.

The association of organized crime and right-wing groups is an even shadier synergic one. Often there is an identity of actors - given shared ideological affinities such as the worship of authority, violence and traditional Japanese "virtues". Sometimes actions are coordinated by a *kuro-maku*, a powerful personality of dubious public standing with good gangland and political connections. Ryochi Sasagawa, who, since the war, controls motorboat races in Japan and is now determined to buy himself the Nobel Peace Prize with a multitude of highly publicized donations, is one prominent example.

Right-wing harassment of companies or unloved institutions by loudspeaker trucks or physical intimidation of their staff, can usually be ended quickly - for a hefty fee. This form of corporate blackmail constitutes a major source of income for organized right-wing univormed groups.

### Quasi Legal Roles

Japan's cumbersome, costly and slow-moving legal system has removed legal recourse from the range of options available to average citizens for settling civic disputes. Legal fees are enormous. The courts take decades to process a case, and judges are often likely to recommend out-of-court settlements anyway. They are also unlikely to order the eviction of tenants or to condone the dismissal of employees.

It is the failure of the legal system (and Japan's shortage of lawyers of which the country seems so proud), which has allowed the *yazuka* to enter the sphere of quick civic dispute settlement. They manage to evict tenants speedily and to convince reticent homeowners to sell their property to real estate developers. They settle labour disputes (including the amount of compensation due to fired staff members), as well as compensation claims for accidents. Their role in debt collection has already been mentioned. They also make sure that customers of prostitutes, gambling saloons and other entertainment facilities pay up their charges without fuss.

This "conflict settlement" of course is not impartial - it is done to favour the gang's client and the gangsters themselves. As a widespread

phenomenon it is a fairly damning indictment of the failure of Japan's legal system to grant access to justice.

### Economic Roles

The *yakuza* deliver economic services and satisfy consumer demand unavailable elsewhere in corporate Japan.

They supply pornography, drugs, provide prostitution and gambling opportunities, as well as guns (the latter more for their own needs).

In Japan's pervasive workaholic salarymen culture night entertainment, including the illegal sort, provides the only regular possibility for "rest and recreation" for the country's corporate armies. The *yakuza* supply the illegal thrills to this extensive nightlife and sponge on the protection monies supplied by the thousands of legal drinking establishments in the entertainment districts.

The *yakuza* are increasingly expanding into legal business (real estate development, construction, stevedoring, restauration, road transport, stock exchange speculation, tourism)<sup>5</sup>, partly for reasons of money laundering and partly in order to gain a legal cover against police investigations and to achieve an air of respectability.

In these "brother enterprises" they continue to play roles often on the fringe of legality: when attempting green mail in buying up stock of mainstream companies (e.g. of Kurabo in 1989 by a Yamiguchi-gumi affiliate) or by persuading Japan's largest securities house (Nomura) to push up the stock prices of a company (Tokyu Corporation in 1989) in which Ishii's Inagawakai syndicate had, with the help of Nomura and Nikko, purchased a share of 2%.

Here the parasitic *zai-tech* element is as visible as in their involvement in real estate/leisure development speculation, which was made possible by Japan's asset inflation of the 1980s.

When operating in the legal service economy, *yakuza* - working through strawmen in management positions - tend to make up for deficient business sophistication by introducing slightly rougher business methods, including a frequent resort to fraudulent bankruptcies.

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5 *Nihon Keizai Shimbun*, 5.5.1991.



## Business Ties

*Yakuza* links to mainstream Japanese companies are ambiguous - depending on corporate policy. Most companies keep them at arms' length. They are often subjected to *yakuza* blackmail: The *sokaiya* (specialists in the field) threaten to disrupt share holders' general assemblies, to damage corporate property, to disrupt commercial operations, to kidnap executives, to reveal corporate secrets and scandals or to poison food companies' products. Most companies eventually give in to this blackmail<sup>6</sup>, while a few don't (and suffer the consequences). Some corporations, especially in the construction, transportation and securities sectors (like some LDP politicians) actively support the *yakuza*. In public works, the *yakuza* also come in handy enforcing the *dango* system of bid rigging - making sure that no outsider company gets away with a cheaper bid than previously agreed by the construction industry's cartel. Susumu Ishii, the late *kumicho* of Inagawa-kai, received significant corporate sponsorship for his extensive green mail operations, which were revealed prior to his death in 1991: Nikko and Nomura, leading Japanese securities houses, lent 36 bio Yen to Ishii in 1989 to corner stock in the Tokyu Corporation, in Tokyo based railway and property company. They then pushed up the Tokyu share price to double its previous level<sup>7</sup>, allowing Ishii to rake in handsome profits. In order to finance his initial investment, Ishii also sold patently phony golf club membership certificates to his financiers for 38 bio Yen<sup>8</sup>, as well as to Sagawa Kyobin (transportation) and Aoki Corporation (construction). Apart from making sizable political donations in order to receive trucking licenses, Sagawa Kyobin also gave further, generous financial support to the Inagawa-kai (in form of non-repayable loans and loan guarantees), presumably for the gang's help in accident arbitration.

## Social Costs

Most *yakuza* murders are committed against members of rivalling gangs during turf battles or succession wars. Only occasionally are innocent by-

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6 *Nihon Keizai Shimbun*, 3.5.1991.

7 *Yomiuri Shimbun*, 28.5.1991 and 29.5.1992.

8 Nomura's links to the Inagawa-kai confirm earlier reports of extensive gangland links by Japan's leading securities house. See: Al Alletzhauser. *The House of Nomura*. London: Bloomsbury. 1990, pp. 281.

standers killed. Rarely are members of the public or policemen purposely murdered by *yakuza*. In such cases the *yakuza* hand over a culprit, plus weapon and confession, to the police some days later. However, there are probably hundreds of thousands of Japanese citizens who are the victims of *yakuza* violence or intimidation each year - the police often being not very helpful. Occasionally a hired *yakuza* murder is even televised live while it is being committed. Moreover, thousands of women are imported from South East Asia and kept, virtually imprisoned, as "sex-slaves" in Japanese brothels controlled by the *yakuza*.

Economic losses are regularly incurred by those who are confronted with *yakuza* during a civic dispute. Due to the practice of *yakuza* involvement, costs for such arbitration as well as for construction, transportation and even for evening entertainment are much higher than they would be in their absence. Corporations pass on these excess costs as well as those for forms of green (and black) - mail by *sokaiya* to their customers and finally to the consumers. It is hence once again the weakest strata of Japan's society who eventually bear the costs of the toleration of the *yakuza*. This reflects a functional failure of the country's legal and political system. Ultimately, this failure will lead to a further erosion of legitimacy for the public authorities and those in power in the eyes of the Japanese lower and middle classes.

### International Implications

*Yakuza* also increase costs for foreign actors. They are becoming increasingly internationally involved with corresponding syndicates on the US West Coast and in Hawaii, with Latin American drug barons (using South Americans of Japanese extraction as intermediaries), with the Chinese triads and the Filipino and Thai underworld. This extensive collaboration serves various purposes: to procure guns (in the US and the Philippines), drugs (metaamphetamines from Taiwan, cocaine from Columbia/Peru) and women for prostitution from South East Asia.

In return the *yakuza* are interested in foreign investment (preferably in the leisure and real estate sector - hotels, golf courses, condominiums in the Pacific area) as convenient, legitimate fronts and as vehicles for money-laundering.

This has security implications for Japanese tourists abroad as well as for foreign residents, affected by the emerging *Internationale* of crime syndicates across the Pacific. Currently there are indications that Japan is



expanding its traditional status as transshipment centre for drugs from the Golden Triangle to destinations within North America and Western Europa and is becoming a major user country as well.

The *yakuza* are beginning to find margins offered by the Medellín cartel attractive enough to market cocaine to their traditional meta-amphetamine clients (truckers, taxidriviers, students, housewives, night-shift workers and entertainers). The number of meta (*shabu*) addicts is estimated to be around some 300.000.

The existence and the domestic activities of the *yakuza* also have - usually little discussed - trade and investment implications for Japan's trading partners: foreign shipping lines are subjected to blackmail by Shiro Takashima's stevedoring syndicates (between 1989/92 this took the form of forcible contributions to a "Harbour Management Fund"). Illicit traders manipulated the beef import auctions<sup>9</sup>, or they intimidate the customs authorities and import products in violation of Japan's import regulations (like underpriced pork from Taiwan through the port of Nagoya<sup>10</sup>, at the expense of European and American loyal exporters). The *yakuza* sell, import (from Korea) or manufacture counterfeit apparel, leather- and sportswear, toys and watches damaging European brand images and reducing the sale of genuine products. Due to the risk of poison, the sale of counterfeit "quality" liquor, imported from Thailand, threatens a whole number of brands. Importers of leather and leather shoes - and trade officials negotiating the terms - face threats from *burakumin*-linked criminals. Finally, foreign construction companies have received hints to stay clear of doing business in Japan and obtained threats of *yakuza* action against their operations should they choose to ignore this advice.

### Legal Measures

It was essentially the *yakuza's* move into drugs as well as foreign - especially US - pressure that Japan should implement the provisions of the 1988 UN Convention against Illegal Traffic in Narcotic Drugs and Psychotropic Substances, which prompted the enactment of two bills:

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- 9 Albrecht Rothacher. *Japan's Agro-Food System*. London: Macmillan, 1989, p. 98 and p. 146.
- 10 Albrecht Rothacher. *Japan's Pork Import Market and the "Nagoya Connection"*. East Asian Institute. Free University of Berlin. Occasional Papers no. 76. Berlin 1992.

- a law toughening measures against money-laundering, and
- a law restricting some activities of "designated" criminal groups.

The bill against money-laundering declares it a crime to hide profits from drug trafficking. It requires banks to report suspicious accounts and money transfers. Money launderers are subject to a maximum prison sentence of 5 years or a fine of up to 3 mio Yen, plus confiscation of bank deposits and other assets derived from drug trafficking<sup>11</sup>. This should in theory affect the *yakuza's* major source of income (an estimated 450 bio Yen p.a. - accounting for 35% of their annual revenue). However, for bank deposits and the opening of accounts, the showing of identity papers is still not mandatory (and is unlikely to be asked for in practice).

The law against organized crime as from March 1992 allows the chiefs of prefectural safety commissions to define certain groups as *boryokudan* (violent groups), if a certain percentage of members have criminal records. The designated *boryokudan* will then be banned for a period of three years from engaging in blackmail, demanding protection fees, undertaking debt collection, mediating in accident compensation, and engaging in similar "commercial" activities.

Any member of such a designated "violent organization" violating any of these provisions would be liable to prison terms between 6 months and 1 year or to a fine of between 100.000 and 1 mio Yen.

In addition, "designated" groups would be banned from recruiting minors and from preventing members from leaving the gang. The police will be allowed to inspect "designated" gangs' headquarters as they deem fit. Further, during times of intergang warfare, the use of (fortress-like) gang headquarters may be prohibited for 3 months.

These provisions obviously do not outlaw criminal organizations altogether and allow the gangs to continue quasi legitimate activities. The law also permits them to present themselves as political or even religious organizations, and to operate through strawmen with straight business covers (ranging from funeral parlors to real estate agencies). Provisions to confiscate illicit earnings were dropped from the Police Agency's original draft bill, when the draft was deliberated in the LDP's policy committees. The watered down version now makes life only slightly more complicated for the gangs and will speed up their "diversification" into

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11 *Nihon Keizai Shimbun*, 4.5.1991.



related business lines, where they will continue to fulfill their traditional societal roles while remaining useful to their political friends. Ultimately, however, the concomitant erosion of political legitimacy of Japan's power elite due to its persistent association with organized crime may in the long run prove self-destructive to both the gangs and to Japan's political masters.<sup>12</sup>

12 Note that the views expressed in this article are those of the author and do not represent an opinion of his institution.