

Organization Attributes Sheet: Zhenli Ye Gon Organization (formerly listed as Unnamed Chinese organization)

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A. When the organization was formed + brief history

- This group was discovered March 15, 2007 with the seizure of a large cash pile assumed to be connected to illegal chemical imports into Mexico. The group was originally unnamed, but can legitimately be named for Chinese-born Mexican businessman Zhenli Ye Gon who possessed the alleged drug money.¹
- The group consisted of Ye Gon's Unimed Pharm Chem Mexico Company, being used by Ye Gon to carry out his illegal smuggling activities.² This company was established in April 1997.³
- Ye Gon established the precursor to this company, with a man named Hongju Ye, on November 28, 1996, in Hong Kong. Named Unimedic Hong Kong Company Ltd, the company began operations as a supplier of raw materials, such as pseudoephedrine, for the pharmaceutical industry. This company became the Emerald Import and Export Corporation, and used false import documentation to transport pseudoephedrine into Mexico with Ye Gon's Unimed Pharm Chem of Mexico.⁴
- The large sum of money seized in Ye Gon's home would likely have been used to start up the major lab in Toluca, Mexico State, if operations had not been disrupted by authorities.⁵ (See "Resources: logistical" below.)

B. Types of illegal activities engaged in,

a. In general

- Illegal importation of chemicals, production and suppliers of methamphetamines and ephedrine.
- Possession of counterfeit money.⁶
- Murder (possible contract killings or assassinations).⁷

b. Specific detail: types of illicit trafficking activities engaged in

- Considered a major chemical broker in Mexico, Ye Gon's operation was accused of selling methamphetamine chemicals to cartels. There was a seizure of approximately \$207 million from Ye Gon's estate in Mexico City. The equivalent of this cash in chemical purchased could have produced 71 tons of methamphetamine.⁸
- Using the Unimed Pharm Chem Company in Mexico, Ye Gon imported over 60 tons of pseudoephedrine into Mexico.⁹
- Importation of eight tablet-making machines for the illegal production of pills.¹⁰
- Importation of 29 tons of methylacrylimide from Hong Kong into Mexico on January 3, 2006.¹¹
- Ye Gon's operations have been linked to the murders of Mexican General Luis Humberto Lopez Portillo Leal's daughter and her husband within 24 hours of the seizure of Ye Gon's cash stockpile, the murder of Hector Angel Tesorero Lopez, and two federal agents, as the same gun was used in all three murders.¹²

C. Scope and Size

a. Estimated size of network and membership

- Network consisted of Ye Gon and the group of associates and contacts of his Unimed Pharm Chem Company.

b. Countries / regions group is known to have operated in. (i.e. the group's operating area)

Information derived from several sources and searchable databases.

All research conducted according to the project manual.

- Due to the types of currency discovered in the cash seized in the 2007 raid, Zhenli Ye Gon probably operated in, or at least regularly traveled to, the United States, Hong Kong, and Europe, in addition to living in Mexico.¹³
- Trafficking locations included Hong Kong and Shanghai in China, California in the United States, and Michoacán and other regions in Mexico.¹⁴

D. Leader Characteristics

a. Who is/are the leader(s)

- Zhenli Ye Gon

b. Leadership timeline

- Zhenli Ye Gon was born in Shanghai, and migrated to Mexico in 1990.¹⁵
- He was issued Mexican citizenship in 2003.¹⁶
- Ye Gon started as a successful businessman importing Chinese textiles and other legal products. Through this business he made contacts with a ring of customs officials under Guzman Montalvo, and this began his introduction into the illegal chemical import business.¹⁷ (Also, see “brief history” above.)
- When it became illegal to import pseudoephedrine in Mexico in 2005, investigations into Ye Gon’s business began after one of his large shipments of the chemical was seized in December, 2006.¹⁸
- On March 15, 2007, police raided one of his homes in Mexico City and discovered the approximately \$207 million dollars in cash with possible drug trafficking ties.¹⁹
- Zhenli Ye Gon was arrested on July 23, 2007 at a restaurant in Wheaton, Maryland.²⁰
- The United States dropped all charges against Ye Gon, citing problems with witnesses (one recanted and another refused to testify) and evidence, on June 22, 2009.²¹
- On February 9, 2011, a United States federal judge approved Ye Gon’s extradition to Mexico to face the drug charges there.²²

c. Leadership style (autocratic, diffuse, etc.)

- Ye Gon’s leadership style was business-like. Decisions came from him, his company, and top affiliates. (See “Membership” below.)

E. Organizational Structure

a. Topology (cellular, hierarchical, etc.)

- The organization was hierarchical, with leadership provided by Zhenli Ye Gon and his company with his trusted affiliates at the top.

b. Membership – is there formal or informal membership in the organization or network? What role do informal or nonmembers play in trafficking and other criminal activities?

- Formal membership was based around the Unimed Pharm Chem Company.
- Juan Jose Escandon Paz was a Unimed Pharm Chem operator in charge of transporting chemical precursors and managing three properties tied to the illegal sale of ephedrine.²³
- Jose Arteaga was another company operator in charge of selling the ephedrine in the state of Michoacán.²⁴
- Georgina “N” Escandon Paz, an additional company affiliate, acted as the head of one of the ephedrine laboratories in Mexico City. She was also involved in the buying and selling of drugs.²⁵ One of her main distributors was Patricia Valdivia Caro (niece of Rafael Caro Quintero of former Guadalajara and Sonora Cartels founding fame) and boyfriend, former Federal Investigation Agency agent Mario “N”.²⁶

Information derived from several sources and searchable databases.

All research conducted according to the project manual.

- A security company run by former Mexican military members, Servicios Interstatales Custodia, was hired by Ye Gon's company to escort one of the ephedrine shipments from a port to an inland address in 2006.²⁷

c. Command and Control (decentralized or centralized)

- Command and control was centralized with decisions being made by Ye Gon, his top affiliates, and his company (see "Membership" above).

F. Resources

a. Financial

- Up until his arrest, Zhenli Ye Gon possessed \$206,564,763 USD; 17,306,520 pesos; 201,460 Euros; \$113,260 HKD; \$20,000 worth of traveler's checks; and numerous gold coins and expensive jewelry in his home.²⁸ The above amounts were confiscated from Ye Gon's home.
- Seized in the same arrests were eight automobiles (six of which were Mercedes Benz).²⁹
- Unimed Pharm Chem's underground lab equipment, if allowed to be installed and not seized by authorities, could have produced 164 million pesos a day worth of revenue on the retail market for pills in Mexico, and even more if sold on the United States market.³⁰

b. Human

- Chinese labor was used to build Ye Gon's chemical labs in Mexico.³¹
- Business partners and company associates were used for the acquisition of chemicals in China and the distribution in Mexico. Company personnel were also used for the transportation of the chemical supplies.³²
- (Also, see "Membership" above).

c. Logistical

i. Forgery, safe-houses, etc.

- Unimed Pharm Chem was operating a 14,000-square meters laboratory under construction in Toluca, Mexico State.³³ If the lab was not seized by authorities, it could have become one of the largest amphetamine labs in Latin America.³⁴
- Additional properties were located in the Miguel Hidalgo district, and two in the Federal District.³⁵
- Eight high-precision tablet-making machines were purchased by Unimed Pharm Chem (see "Technical Sophistication" below).

ii. Key routes

- China and Asia, to Mexico (the port of Manzanillo was a major port utilized), and into the United States.³⁶ Ye Gon used this route to bring in 50 tons of pseudoephedrine and other methamphetamine precursor chemicals from Hong Kong and Shanghai.³⁷
- Investigations identified a specific route of pseudoephedrine trafficking: Hong Kong and Shanghai for chemical supplies; to Long Beach, California; to the ports of Manzanillo and Lazaro Cardenas for production and distribution.³⁸

d. Transportation

i. Land

- A private security company was hired to escort an ephedrine shipment from the port of Lazaro Cardenas, to an inland address in Tlaquepaque, Jalisco.³⁹

ii. Sea

Information derived from several sources and searchable databases.

All research conducted according to the project manual.

- Used large shipping containers to transport from Asia to the port of Manzanillo.⁴⁰

iii. Air

- Ye Gon used official permits to import chemicals through Mexico's airports, in addition to the more often used sea ports. One shipment of 4 tons of pseudoephedrine sulfate arrived in Mexico City international Airport on June 23, 2003.⁴¹

iv. Intermodal container

- (See section "Sea" above.)

G. Trafficking Methods and Modalities

a. Corruption

- Several customs officers and government Health Secretariat officials in Mexico were employed by Ye Gon for assistance with (and protection of) importing the chemicals.⁴²
- Official permits obtained from the government for the importation of pseudoephedrine and other precursor chemicals were used to get the chemicals through ports.⁴³

b. Concealment

- Concealed the chemicals in containers with false labels.⁴⁴

c. Deception

- Fake documents used to bypass United States borders and ports.⁴⁵
- Used false labels to bring the chemicals into Mexico, labeling containers with legal products to avoid inspection.⁴⁶

d. Circumvention (avoiding border entry points)

- Fake documents used to bypass United States borders and ports.⁴⁷
- Used false labels to bring the chemicals into Mexico, labeling containers with legal products to avoid inspection.⁴⁸
- Unimed Pharm Chem was the documented recipient of 19 tons of pseudoephedrine seized at the port of Lazaro Cardenas in Michoacán, which is not an official port authorized for pseudoephedrine shipments into Mexico.⁴⁹

H. Prior / Existing Relationships

a. Other criminal organizations (cooperative and conflictual)

- Zhenli Ye Gon was said to be allies with, and have clientele consisting of, the Beltran Leyva brothers, as well as Ignacio Nacho Coronel Villareal (AKA: the "King of Ice") and Ismael "El Mayo" Zambada, leaders of the Sinaloa cartel. Ye Gon was said to be the main supplier and distributor of methamphetamines and ephedrine for these organizations in Mexico for designer drug production.⁵⁰
- With the Sinaloa cartel specifically, Ye Gon was the lead supplier of pseudoephedrine and other precursor chemicals for synthetic drug production, and reportedly had ties to Joaquin "El Chapo" Guzman Loera.⁵¹

b. Corrupt politicians, law enforcement, political parties and other state entities, etc.

- Ye Gon's company had been said to be linked to Mexican General Luis Humberto Lopez Portillo Leal and his daughter, Mireya Lopez Portillo Guedea. She and her husband were murdered 24 hours after the March 15, 2007 seizure of Ye Gon's cash stockpile.⁵²
- Ye Gon and his company have been linked to corruption in members of Mexico's Federal Commission for the Protection Against Sanitary Risks office, which answers to the Health Secretariat.⁵³

Information derived from several sources and searchable databases.

All research conducted according to the project manual.

- Mexican customs officials linked to former General Customs Director Jose Guzman Montalvo were employed by Ye Gon and his company.⁵⁴
- The Mexican Embassy in China certified one of Ye Gon's shipments of chemicals in 2003. Another was approved by Medicine Evaluations Director, Alberto Carlo Frati Munari, and acknowledged that the pseudoephedrine was intended for "resale" the same year.⁵⁵
- Ye Gon's case allegedly implicated Mexican President Felipe Calderon's administration, especially his Labor Secretary Javier Lozano Alarcon, in conducting unlawful maneuvers to conceal illegal money with Ye Gon, money supposed to be funneled to the presidential campaign.⁵⁶
- Ye Gon claimed in an interview that \$130 million of the his money seized in the 2007 raid belonged to Mexico's National Action Party (PAN), and was meant to finance Felipe Calderon's presidential campaign. Ye Gon claimed he was coerced by Secretary of Labor, Lozano Alcaron, into storing the money.⁵⁷
- These claims by Ye Gon's American attorney have been refuted by his Mexican representative. This Mexican lawyer then states that Ye Gon was kidnapped and asked for bribes by the Federal Investigation Agency and the Federal Preventive Police in 2006.⁵⁸

c. Specific detail: Any alliances / past dealings with terrorist groups.

- Information obtained from open sources does not indicate any prior/existing dealings or relationships with terrorist groups.

I. Ideological / Ethnic / Familial Orientation (if any)

- Information obtained from open sources does not indicate any adherence to ethnic, familial, or ideological orientations.

J. Technical Sophistication

- Illegal pill-manufacturing equipment was also seized in the 2007 raids of Ye Gon's property.⁵⁹
- Ye Gon's would-be 14,000 square meter lab contained state-of-the-art production equipment.⁶⁰ Eight high-precision German-made Fetter GMBH tablet-making machines were purchased by Unimed Pharm Chem, which can manufacture 360,000 pills a day. Eight of them could have produced almost 3 million tablets a day.⁶¹

K. Penchant for Innovation

- Ye Gon used his connections to obtain official permits for legal cover of the importation of pseudoephedrine and other precursor chemicals.⁶²

L. Activities in United States

a. Includes both criminal and non-criminal activities

- Drug trafficking and sale.
- Allegedly claimed to a female friend he was laundering money for Mexican drug traffickers while gambling in Las Vegas casinos.⁶³

b. Specific detail: trafficking activities ; logistical activities

- Zhenli Ye Gon was accused of using Unimed to create labs in Mexico for the production and sale of methamphetamines in Mexico and the United States.⁶⁴
- If the March 15, 2007 seizure had not occurred, Ye Gon's labs could have provided all of the Mexican cartels with amphetamines and supplied an estimated 80% of the United States market with the drug.⁶⁵

Information derived from several sources and searchable databases.

All research conducted according to the project manual.

c.	Linkages with US groups
i.	Market/transaction links
	<ul style="list-style-type: none">• Not specified but this seems the most likely.
ii.	Stable supplier
	<ul style="list-style-type: none">• Information not found.
iii.	Franchise arrangement
	<ul style="list-style-type: none">• Information not found.
iv.	HQ and Branch office
	<ul style="list-style-type: none">• Information not found.
M. Evaluations	
a.	Strengths
	<ul style="list-style-type: none">• Zhenli Ye Gon obtained legal permits to facilitate the importation of large quantities of pharmaceutical chemicals, and Ye Gon had the support of many government officials and former military members.• Acted as the supplier of precursor chemicals, while methamphetamine production was hidden or shelved on the established cartels in Mexico.• Until the seizure by police, Ye Gon's group had <i>large</i> cash reserves.
b.	Weaknesses and vulnerabilities
	<ul style="list-style-type: none">• Main weakness: Ye Gon and his top officials have been arrested. The March 15, 2007 raids seized Ye Gon's large cash supply, but also six of his top operators.• Ye Gon himself was arrested 4 months later.
c.	Additional insights
	<ul style="list-style-type: none">• Zhenli Ye Gon's group highlights the exploitation of legitimate business as cover for illegal activities and trafficking.
Other Notes	
	<ul style="list-style-type: none">• Ye Gon's importation activities may have actually been legal (with official permission obtained) until the importation of pseudoephedrine and other certain pharmaceutical chemicals in Mexico was made illegal in 2005, and he was caught still shipping large quantities after that date and in 2006. It is also assumed much of the "legal" importation that went on before 2005 was connected to the drug trade due to the large cash Ye Gon amounted.• There was also the publicity created by Ye Gon's accusation that more than half of the money came from the Mexican government and that he was a "fall guy" in a staged drug bust to hide the money.⁶⁶ Additionally, a United States federal judge and other officials consider there might have been a lack of evidence upon Ye Gon's arrest.⁶⁷ The case was eventually dismissed in the United States, and Ye Gon is now awaiting extradition to Mexico.

¹Porter, Eduardo. "The China Connection: Globalization and the Narcotics Trade," *The New York Times*, August 2, 2007. <http://www.nytimes.com/2007/08/02/opinion/02thu4.html>

²Special Agent Eduardo A. Chavez. "Affidavit in Support of complaint and Arrest Warrant for Zhenli Ye Gon," *Drug Enforcement Administration and United States Department of Justice*, available online at <http://www.washingtonpost.com/wp-srv/metro/gon-affidavit.pdf>

³"Mexico: The Industry Behind Drug Trafficking," Mexico City *El Universal* (Internet Version - WWW in Spanish), April 10, 2007, OSC: LAP20070410356002.

⁴Ibid.

⁵Ibid.

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- ⁶ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," Mexico – *OSC Summary* (in Spanish), March 23, 2007, OSC: LAP20070323343001.
- ⁷ "Highlights: Mexico Magazine Review 15-21 Apr 07," Mexico -- *OSC Summary* (in Spanish), April 21, 2007, OSC: LAP20070420345001.
- ⁸ Bencze, Roger W. "The International Cocaine Weekly Round-Up," Joint Interagency Task Force South, 11 May 2007.
- ⁹ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," *OSC Summary*, 2007.
- ¹⁰ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ¹¹ *Ibid.*
- ¹² "Highlights: Mexico Magazine Review 15-21 Apr 07," *OSC Summary*, 2007.
- ¹³ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," *OSC Summary*, 2007.
- ¹⁴ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ¹⁵ Porter, 2007.
- ¹⁶ "Mexico: Article Details Government Ties of Chinese Pseudoephedrine Trafficker," Mexico City *Proceso* (in Spanish), July 14, 2007, OSC: LAP20070710345001.
- ¹⁷ *Ibid.*
- ¹⁸ Carrasco, Jorge. "Mexico, the DEA, and the Case of Zhenli Ye Gon," *The Washington Post*, October 29, 2008. <http://www.washingtonpost.com/wp-dyn/content/article/2008/10/28/AR2008102801364.html>.
- ¹⁹ Porter, 2007.
- ²⁰ Duggan, Paul and Ernesto Londono. "Not Your Average Drug Bust," *The Washington Post*, July 25, 2007. <http://www.washingtonpost.com/wp-dyn/content/article/2007/07/24/AR2007072400150.html?nav=hcmodule>.
- ²¹ "U.S.: Drop Drug Charges Against Millionaire," *Associated Press*, June 22, 2009. http://www.msnbc.msn.com/id/31491978/ns/us_news-crime_and_courts/.
- ²² Pickler, Nedra. "Judge Won't Stop Extradition in Mexican Drug Case," *The Associated Press and Borderland Beat*, February 9, 2011. <http://www.borderlandbeat.com/2011/02/judge-wont-stop-extradition-in-mexican.html>.
- ²³ "Highlights: Mexico Magazine Review 15-21 Apr 07," *OSC Summary*, 2007.
- ²⁴ *Ibid.*
- ²⁵ *Ibid.*
- ²⁶ *Ibid.*
- ²⁷ *Ibid.*
- ²⁸ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," *OSC Summary*, 2007.
- ²⁹ *Ibid.*
- ³⁰ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ³¹ *Ibid.*
- ³² *Ibid.*
- ³³ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," *OSC Summary*, 2007.
- ³⁴ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ³⁵ *Ibid.*
- ³⁶ "Mexico: Contraband, Drugs, Money Said To Pass Through Port of Manzanillo," Mexico City *Proceso* (*Internet Version-WWW* in Spanish), March 31, 2008, OSC: LAP20080401036002.
- ³⁷ *Ibid.*
- ³⁸ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ³⁹ "Highlights: Mexico Magazine Review 15-21 Apr 07," *OSC Summary*, 2007.
- ⁴⁰ "Mexico: Contraband, Drugs, Money Said to Pass Through Port of Manzanillo," *Proceso*, 2008.
- ⁴¹ "Mexico: Article Details Government Ties of Chinese Pseudoephedrine Trafficker," *Proceso*, 2007.
- ⁴² *Ibid.*
- ⁴³ *Ibid.*

- ⁴⁴ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ⁴⁵ Porter, 2007.
- ⁴⁶ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ⁴⁷ Porter, 2007.
- ⁴⁸ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ⁴⁹ Ibid.
- ⁵⁰ "Highlights: Mexico Magazine Review 15-21 Apr 07," *OSC Summary*, 2007.
- ⁵¹ "Mexico: Article Details Government Ties of Chinese Pseudoephedrine Trafficker," *Proceso*, 2007.
- ⁵² "Highlights: Mexico Magazine Review 15-21 Apr 07," *OSC Summary*, 2007.
- ⁵³ "Mexico: Article Details Government Ties of Chinese Pseudoephedrine Trafficker," *Proceso*, 2007.
- ⁵⁴ Ibid.
- ⁵⁵ Ibid.
- ⁵⁶ Ibid.
- ⁵⁷ Ibid.
- ⁵⁸ Ibid.
- ⁵⁹ "Highlights: Mexico Eastern and DF/Interior Crime/Narcotics/Security Issues 21-23 Mar 07," *OSC Summary*, 2007.
- ⁶⁰ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ⁶¹ Ibid.
- ⁶² "Mexico: Article Details Government Ties of Chinese Pseudoephedrine Trafficker," *Proceso*, 2007.
- ⁶³ Carrasco, 2008.
- ⁶⁴ Special Agent Eduardo A. Chavez, "Affidavit in Support of complaint and Arrest Warrant for Zhenli Ye Gon," *Drug Enforcement Administration and United States Department of Justice*, available online at <http://www.washingtonpost.com/wp-srv/metro/gon-affidavit.pdf>
- ⁶⁵ "Mexico: The Industry Behind Drug Trafficking," *El Universal*, 2007.
- ⁶⁶ Duggan, et. al., 2007.
- ⁶⁷ Leonnig, Carol D. "Evidence Called Lacking in Case Against Millionaire Drug Suspect," *The Washington Post*, September 8, 2007.