



# City Research Online

## City St George's, University of London

**Citation:** Loughlin, N. (2024). Transnational Organised Crime Meets Embedded Corruption: Cambodia's Role in Southeast Asia's Online Scam Epidemic. *Global China Pulse*, 3(1), pp. 27-34. doi: 10.69131/GCP.03.01.2024.02

This is the published version of the paper.

This version of the publication may differ from the final published version. To cite this item please consult the publisher's version.

**Permanent repository link:** <https://openaccess.city.ac.uk/id/eprint/34512/>

<https://doi.org/10.69131/GCP.03.01.2024.02>

**Copyright and Reuse:** Copyright and Moral Rights remain with the author(s) and/or copyright holders. Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge, unless otherwise indicated, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way. For full details of reuse please refer to [City Research Online policy](#).

# Transnational Organised Crime Meets Embedded Corruption: Cambodia's Role in Southeast Asia's Online Scam Epidemic

Neil LOUGHLIN

*Over the past few years, Cambodia has emerged as a major centre of the multi-billion-dollar online scam industry that is plaguing Southeast Asia. While the rise in cyber-scams has received significant media coverage, the local contexts that have allowed this industry to thrive have received less attention. This essay suggests that the rise in transnational organised crime in Cambodia reflects how deeply illicit money is embedded within the patronage system of the ruling Cambodian People's Party and how it represents an evolution of the kind of corruption that has flourished during its more than four decades in power. By anchoring the analysis in historical patterns of corruption, the essay elucidates how closely illicit and legal capital are entwined within the country's political economy.*

**A**ccording to several metrics, Cambodia ranks among the most corrupt countries on Earth. In 2022, it placed 139 out of 140 countries in the World Justice Project's global rankings for corruption. In 2023, it ranked 158 out of 180 countries in Transparency International's Corruption Perceptions Index. Cambodia's new Prime Minister, Hun Manet, who assumed the position after his father, Hun Sen, stepped down in 2023, has adopted a rhetorically tough stance on corruption, vowing to clamp down on abuses of power and firing some lower-level officials to demonstrate his commitment (Hunt 2024). Similarly, Sar Sokha, the new Interior Minister, who inherited his position from his father, Sar Kheng, has also been vocal in his enthusiasm to tackle corruption. He has initiated efforts to combat graft within the police force and the Ministry of Interior (MOI), removing the Deputy Police Chief of Preah Sihanouk and reportedly disciplining Lieutenant General Koem Cheat, an undersecretary of state at the MOI. However, these recent anticorruption activities, while welcome, are occurring within the context of Cambodia becoming established as a major centre for transnational online scam operations and belie the fact that corruption remains deeply embedded within the country's political settlement (Loughlin 2023).

Dogged investigative work by Cambodian and foreign journalists, along with monitoring organisations mapping the online scam industry, has revealed a network of illicit activity that operates in proximity to the highest levels of political power in the country. Mainland Chinese and other business actors accused of various illegal activities have established strong connections with Cambodia's political and economic elite. Additionally, local tycoons have been implicated in the scam operations. This paints a picture of an evolution in Cambodia's corrupted political economy, wherein the profits from transnational organised crime have become intertwined with Cambodia's longstanding patronage system. This resonates with earlier analyses of the relationship between states and crime in Southeast Asia that have shown how 'dirty money' (Baker and Milne 2015) and 'state illegality' (Aspinall and van Klinken 2010) are deeply woven into the fabric of Southeast Asia's political and economic development.

## The Historical Roots of Embedded Corruption

The origins of Cambodia's corrupted political economy can be traced back to the process of state and regime building after the fall of the Khmer Rouge from power in 1979 in the wake of a Vietnamese invasion (Loughlin 2024). During the 1980s, the new Cambodian Government, backed by the occupying Vietnamese, engaged in a bitter civil war against their former Khmer Rouge comrades, as well as factions from the Republican government of 1970–75 and those aligned with post-independence leader and former king, Sihanouk. With the end of the Cold War and the Vietnamese signalling their intention to withdraw from the country, in the early 1990s, the Cambodian Government was compelled to allow the United Nations to oversee a transition to peace, marked by the adoption of liberal democracy and free-market capitalism.

The Cambodian People's Party (CPP), which was formed as the electoral vehicle of the former People's Republic of Kampuchea (PRK) state of the 1980s, wholeheartedly embraced the country's capitalist transition while proving far less welcoming of democracy (Heder 2005; Hughes 2003). When free and fair elections were held in the country in 1993, the CPP lost to FUNCINPEC, the party of Sihanouk then headed by his son, Ranariddh, but refused to cede power on threat of a return to civil war. A compromise power-sharing agreement was enacted between the CPP and the FUNCINPEC, while remnants of the Khmer Rouge continued to fight the factionalised forces of the central government from along the country's northern border with Thailand.

Under the power-sharing agreement, ministries became politicised along factional lines. Efforts by the CPP and FUNCINPEC to ensure their factions were well-armed and rewarded fuelled the exploitation of the country's natural resources, which became a crucial source of patronage used by both sides to cultivate supporters and finance their war efforts (Le Billon 2000). The extent of corruption this fostered was immense,

with the CPP particularly skilled at profiting from the trade in timber and land. This was done in collaboration with newly emerged crony-capitalist entrepreneurs who had begun smuggling alcohol and tobacco between Thailand and Vietnam and/or establishing logistics or other businesses in the late 1980s (Loughlin 2020). Throughout the 1990s, timber barons working in tandem with military units cut and exported logs, while various officials and ministries provided political and legal cover. State officials and economic entrepreneurs formed close and enduring alliances as the spoils were distributed among them (Davis 2005). The power-sharing agreement between the CPP and FUNCINPEC abruptly ended in 1997 when the CPP launched a coup against the co-government. By 1999, the Khmer Rouge had also collapsed internally and its forces pledged support to the CPP, consolidating the CPP's control over the country and its resource wealth. Logging and land grabbing surged.

Since the turn of the millennium, Cambodia has witnessed some of the fastest forest loss globally, propelled by the appetites of local political elites and economic entrepreneurs amid the global commodity boom (Milne 2015; Mulhern 2021). This was accompanied by a swift partitioning of the country's forested and agricultural land. In 2005, the government enacted a sub-decree on economic land concessions, allowing for the leasing of plots of up to 10,000 hectares for periods of up to 99 years for agricultural, tourism, or other purposes (Loughlin and Milne 2020). In some cases, this merely served as legal cover for logging activities. More broadly, it facilitated the concentration of large swathes of Cambodia's land in the hands of tycoons linked to the CPP and foreign investors who forged close alliances with the Cambodian elite (Loughlin and Milne 2024). A considerable portion of this land was already cultivated by smallholder farmers, some of whom held legal title. However, this did not deter the process of dispossession. Villagers were often forcibly displaced and subjected to violence by members of the CPP's security forces, who also ensured that the concessions were guarded to prevent villagers from returning.

According to a report by the corruption watchdog Global Witness, by 2013, 20 per cent of Cambodia's arable land was controlled by just five tycoons, who were appointed as CPP senators in 2006 (Global Witness 2013). These individuals, along with a handful of other influential tycoons, were simultaneously expanding their business interests. Today, Cambodia's economy is largely dominated by a small number of conglomerates owned by tycoons with close ties to the government. Many of them have entered lucrative partnerships with the families of senior government officials, including the Hun family (Global Witness 2016).

Notably, several of these tycoons have been implicated as facilitators of online scam operations in Cambodia. Moreover, the trend of business figures cosyng up to the country's political and economic elite to gain political and legal protection appears to be mirrored in the online scam industry as new criminal syndicates in Cambodia are operating through well-established networks of extraction.

## Cyber-Scam Operations in Cambodia

Cambodia's online scam industry thrived amid the gambling boom and tourism surge of the mid to late 2010s (Turton 2021). The coastal city of Sihanoukville emerged as a particular hotspot for online gambling operations and a burgeoning online scam industry. A significant influx of Chinese tourists began visiting the city for in-person gambling experiences, triggering a surge in tourism and construction activity. However, this growth was severely impacted when Cambodia banned online gambling in mid-2019, likely due to pressure from China, where gambling is prohibited. The situation was further exacerbated by the onset of the Covid-19 pandemic, which led to a sudden halt in tourism and other revenue streams. As legal investment sources dried up, scam operations expanded and moved in to occupy unused casino and hotel spaces, with illicit capital stepping in to replace the dwindling legitimate sources of revenue generation (Faulder 2022).

Most online scam operations involve various forms of online fraud, many of which are highly sophisticated (Faulder 2022). Among the most notable are the 'pig-butcher' scams, which typically involve scammers sending numerous phishing messages across various online messaging platforms to lure potential victims into conversations and establish long-term online relationships. These relationships are then exploited to defraud victims of substantial sums of money through fraudulent investment schemes promising high returns. Victims are duped into depositing their savings and investment funds into third-party accounts, often in cryptocurrency, making the recovery of these funds nearly impossible. Initially targeting predominantly Chinese victims, the scope of these scams has widened, with victims reported globally (IC3 2023).

In addition to fraud, online scam operations have also fuelled widespread human trafficking, with estimates suggesting tens of thousands of individuals are being held against their will in scam compounds in Cambodia (Reuters 2023). People from various parts of Asia and beyond have become ensnared in scam compounds after being deceived or coerced into working as scammers under conditions of debt-bondage (Franceschini et al. 2023). Torture is widespread, and some individuals have been killed by their captors. Others have succumbed to mistreatment, taken their own lives, or perished while attempting to flee.

As with the logging and land boom, the Cambodian State seems to be providing legal cover and protection to individuals involved in illegal activities. In recent years, numerous Chinese criminals implicated in scam operations across Southeast Asia have obtained Cambodian citizenship (CSM 2023). Acquiring Cambodian citizenship enables these criminals to shield themselves from the jurisdiction of the Chinese State, which has made significant efforts to combat criminal activities by its citizens domestically and internationally. For instance, when She Zhijiang, a Chinese national who obtained Cambodian citizenship in 2019, was arrested in Thailand in 2022, a Thai court ordered his extradition to China. In his defence against extradition, She argued that his Cambodian

citizenship exempted him from Chinese jurisdiction, thus preventing his compulsory return to China under Chinese law (Blascheke 2023). Chinese authorities have since at least 2014 been seeking She, who was previously convicted of running an illegal gambling business in the Philippines (Tang et al. 2020). At the time of writing in early August 2024, he has yet to be extradited to China.

In August 2023, several other Chinese citizens holding Cambodian passports were apprehended in Singapore (Califf and Soeung 2023). These individuals had amassed significant wealth and were accused of laundering money through the city-state. All eventually pleaded guilty to various financial crimes. The Singaporean raid raises concerns about the cross-border movement of funds originating in Cambodia and other scam hubs, highlighting the fluidity within and between criminal networks and nations in Southeast Asia. It is common for criminal elements to operate gambling and scam operations across multiple countries, with Myanmar, Laos, and the Philippines emerging as other focal points. For instance, She Zhijiang was heavily involved in Shwe Kokko, a development on Myanmar's border with Thailand that serves as a major hub for online scamming and human trafficking (Cheng 2022). In Cambodia, She was linked to a company within the Dara Sakor resort (Loughlin 2022), a sprawling mixed-use development project in Koh Kong Province fraught with land disputes and largely unsuccessful in generating legal revenue streams or tourism (Loughlin 2022). Instead, investigators have uncovered evidence of scamming and trafficking activities within its concession area (Ferrie et al. 2023).

When scam operations began to attract sustained local and international attention about 2021, senior government officials in Cambodia initially attempted to deny or minimise the existence of the scam industry and associated human trafficking and other abuses. Reports of confinement and torture were dismissed as mere labour disputes (US Department of State 2023). However, the sheer scale of the scams and the trade in persons became too significant to overlook, especially after Cambodia's annual trafficking in persons score, as assessed by the US Government, was downgraded to the lowest tier. International media coverage by outlets such as *Al Jazeera* and the *BBC* put a spotlight on the scam operations, revealing apparent widespread collusion between criminal gangs and Cambodian government officials and businesspeople.

Under mounting international pressure, the Cambodian Government launched a crackdown on such activities from August to December 2022. However, this effort proved largely ineffective, hampered by inconsistent law enforcement and official reluctance, resulting in the government's failure to effectively address the industry (OHCHR 2023). There were even allegations of law enforcement officials providing advance warning of raids to the scam centres (Wee 2023). The US State Department's annual trafficking in persons (TIP) report for 2023 stated that Cambodia was failing to meet 'minimum standards' for combating human trafficking and was 'not making significant efforts to do so' (US Department of State 2023). Consequently, Cambodia remains classified as a 'tier 3' country—the lowest possible ranking.

What explains the Cambodian Government's lacklustre approach to cracking down on scam operations? A slew of investigations has uncovered evidence suggesting that foreign business operators—mostly, but not exclusively, from mainland China—implicated in the industry have adeptly navigated Cambodia's patronage economy, forging close alliances with political, business, and military figures in the country. Notably, investigative reports by *Radio Free Asia* journalist Jack Adamović Davies and others have shed light on the personal and cosy relationships that Chen Zhi, a Chinese businessman who obtained Cambodian citizenship in 2014, has cultivated with the top leadership of the CPP. Chen became an advisor to Hun Sen in 2020, holding a rank equal to that of minister (Adamović Davies 2022). He showered the then Prime Minister with extravagant gifts, including watches worth hundreds of thousands of dollars (RFA Staff 2022). Chen currently serves as an advisor to Prime Minister Hun Manet.

Additionally, Chen spent three years as an advisor to former interior minister Sar Kheng starting in 2017 and engaged in business dealings with Sar Kheng's son, the current Interior Minister Sar Sokha, through Jinbei Investment Company Limited (Adamović Davies 2020). Buildings associated with Jinbei have been linked to scam operations by individuals who managed to escape (Sothyroth and Goldstein 2023). Consistent with the pattern wherein successful businesspeople in Cambodia are expected to contribute back to the system, Chen was granted the title of *Oknha* ('nobleman' or 'lord') in 2020, indicating that he donated at least US\$500,000 to the state. His contributions in fact far exceed this, with reports indicating that he donated US\$3 million solely for procuring Covid-19 vaccines in 2020 (Strangio 2020). Today, Chen's Prince Group stands as one of the most successful real estate and development conglomerates in Cambodia.

Simultaneously, several Cambodian tycoons have faced accusations of facilitating online scam operations. Try Pheap, a prominent tycoon and CPP senator known as the country's foremost logging baron, has been implicated in the industry through his Thmor Da Special Economic Zone in Pursat Province, which has been identified as an online scam hub (Mech and Liu 2021). Online scam operations were also uncovered on properties owned by Ly Yong Phat, another CPP senator with particularly close ties to the Hun family who has served as an advisor to both Hun Sen and Hun Manet. Additionally, scam operations have been identified at casinos owned by Senator Kok An. Kok An's son-in-law, the late Rithy Samnang, and Samnang's brother Rithy Raksmei have been linked to various companies and sites involved in cyber-fraud (CSM 2022–23).

## The Importance of Local Agency

The scale and brutality of the online scam industry in Southeast Asia have attracted intense scrutiny. Recent reports have focused on the activities of mainland Chinese actors and the apparent failure of the Chinese State to effectively address the illegal activities

of its citizens (see, for instance, USIP Study Group 2024). However, this perspective overlooks the agency of local actors and the existing corrupt political economies in Cambodia and elsewhere in the region that have long been involved in illicit activities and have provided cover for illicit capital, which has become deeply entrenched in local economic networks to the benefit of local elites.

The emergence of the scam epidemic in Cambodia serves as another layer reinforcing the country's entrenched and highly corrupt political landscape in which the state appears to offer protection for illicit activities carried out by Cambodian tycoons with ties to the regime and foreign criminals who have developed close relationships with key figures within the ruling party. This mirrors the established pattern observed during the exploitation of natural resources such as timber and land in the 1990s and 2000s and the deep entrenchment of illicit money within the CPP's patronage system. ●



**Sihanoukville, Cambodia**

Aerial view of Sihanoukville in September 2022. Source: All photos were taken by Roun Ry.