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Digital Crime, Dirty Money and the State: Southeast Asia's Illicit Political Economy and the Rise of Cybercrime

Neil Loughlin 

ABSTRACT

Over the past decade, cyber scamming has expanded rapidly across Southeast Asia. These operations cluster in compounds within business parks, casinos, industrial zones and other real estate developments. Although organized crime is often assumed to thrive where states are weak, this article offers a politically grounded explanation for why these economies take root in particular countries through complex and heterogeneous entanglements with the state. Drawing on critical scholarship, political settlements analysis and structural political economy, it shows that scam operations are mediated by existing systems of political authority rather than operating in opposition to them. Focusing on Cambodia, Laos, Myanmar and the Philippines, it demonstrates how scam economies have been integrated into long-standing arrangements shaped by patronage, rent extraction, territorial governance, contestation and conflict. Enabled by mobile transnational capital, including Chinese grey finance, offshore banking and cryptocurrency, these industries operate across borders and have become integral to the exercise and contestation of political power. The article advances a framework explaining how illicit economies become entwined with systems of governance, linking state power and the exercise of political authority to transnational organized crime in ways not unique to Southeast Asia.

INTRODUCTION

Over the past decade, cyber scams have expanded rapidly in Southeast Asia (UNODC, 2024a). Scam compounds, often located in business parks, casinos, industrial zones and other real estate developments, have become hubs for these operations, with Cambodia, Myanmar, Laos and the Philippines emerging as key host states for transnational organized crime (TOC)

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groups (Franceschini et al., 2023). These syndicates exploit trafficked and vulnerable individuals, as well as some voluntary recruits, who are often drawn into global fraud schemes through economic desperation or false promises. They also rely on dense intermediary networks to launder proceeds and reinvest them in real estate, cryptocurrency and businesses (UNODC, 2024a). One estimate suggests the industry generated revenues of nearly US\$ 40 billion in 2023 alone (UNODC, 2025).

This article addresses a puzzle: how and why have cyber scamming and related illicit economies become embedded in systems of political authority in Southeast Asia? And what do these developments reveal about state power and political authority in contexts where formal and informal modes of rule intertwine? Two dynamics are central. First, I examine how transnational capital — licit and illicit — shapes the intersection of crime, accumulation and governance. These flows are coveted by political elites and illicit actors, but their effects remain uneven and under-theorized. Second, I analyse how scam centres, criminal networks and laundering operations are mediated by political settlements across the region, offering new insights into regime character and the state–crime nexus. My analysis departs from accounts that portray organized crime and illicit economies, including scams, as symptoms of weak or failing states, where fragile institutions, limited enforcement and porous borders allow crime to flourish (Patrick, 2011; United Nations, 2025; UNODC, 2025; USIP, 2024). I build on critical scholarship that shows illicit economies are entwined with political authority rather than external to it (Aspinall and van Klinken, 2011; Baker and Milne, 2015; Jespersen, 2015; Kupatadze, 2023).

I propose a framework that explains how illicit economies become embedded within political settlements and the governing practices through which authority is exercised. Drawing on political settlements analysis and structural political economy, I show that illicit economies are mediated by existing systems of rule rather than operating outside them. Political settlements are understood here as the distribution of power among elites that structures governing bargains and the allocation of rents, while structural political economy highlights how power relations shape patterns of accumulation and economic change. The incorporation of illicit economies varies across contexts, shaped by local distributions of power. In some settings, illicit economies may reinforce established bargains and stabilize elite networks; in others, they enable contestation and the renegotiation of authority. In this sense, they are co-constitutive: illicit economies both reflect and reshape political settlements and practices of governance.

To clarify variation in state–crime relations, I draw on Barnes' (2017) typology, which distinguishes between confrontation, evasion, alliance and integration. In confrontation, states attempt to suppress criminal actors; in alliance, state officials collaborate with them for mutual benefit; in integration, criminal actors become incorporated into governance arrangements. The cases examined here sit along the alliance–integration spectrum, albeit

unevenly, reflecting different configurations within their respective political settlements. In Cambodia, cyber scamming is embedded within a vertically consolidated, hierarchical and collusive patronage order. In Myanmar, it is organized through negotiated arrangements among overlapping state and state-like authorities in fragmented and contested territories. In Laos, it is institutionalized through delegated enclave governance. In the Philippines, it is mediated through decentralized patronage and regulatory fragmentation that shape enforcement and protection.

These political configurations shape how external capital enters and is governed. Collusive political settlements have converged with offshore grey and criminal capital to generate new configurations of accumulation and rule. The relocation of such capital, particularly from China, intersects with domestic elite networks and established systems of governance. Grey capital refers to high-risk or legally ambiguous flows, including speculative real estate investment, online gambling revenues and proceeds from lightly regulated digital platforms, that move across borders through financial channels designed to circumvent regulatory controls (UNODC, 2024a, 2025). Originating in both licit and illicit activity, these flows are increasingly incorporated into transnational circuits of accumulation linked to Southeast Asia's scam economies.

In exchange for rents, state and non-state authorities provide territorial protection, discretionary enforcement and institutional insulation that enable these networks to operate. Scam hubs emerge where political authority is negotiated and instrumentalized, and where elites convert illicit accumulation into strategic advantage through political bargains. Here political authority is understood as produced through recognized practices of governing, drawing on Lund's work on public authority in legally ambiguous spaces (Lund, 2006, 2016). Authority takes shape through licensing, territorial control, protection and selective enforcement exercised across state and non-state institutions. Scam economies are mediated through these governing practices.

As Southeast Asia's scam infrastructures expand globally, from Africa to the Caucasus to Central America (UNODC, 2025), the region offers a vantage point for understanding how illicit accumulation has become integral to political power in the digital global economy. This outward expansion has also been shaped by efforts to manage regulatory and enforcement pressures within Southeast Asia itself.

Since late 2023, and with sharp escalation from mid-2024, several governments and armed actors have initiated or intensified crackdowns on scam compounds and associated financial networks, driven by a combination of armed conflict, domestic political pressure, and sustained international pressure, particularly from China. As enforcement deepens, segments of the industry may contract, relocate, fragment into smaller sites, or reorganize through new institutional and commercial fronts. These developments draw renewed attention to how political economies deeply entwined with illicit

capital adjust to heightened scrutiny and constraint. In the cases examined below, however, ruling coalitions and governing arrangements have long adapted to shifting opportunities and constraints in illicit markets, incorporating new forms of criminal accumulation into established structures of elite bargaining and protection (Creak and Barney, 2022; Loughlin, 2024a, 2024b; McCoy, 2009; Peng, 2024a; Sidel, 1999; UNODC, 2024a; Woods, 2011).

The analysis proceeds as follows. The next section sets out the conceptual framework and examines the structural drivers of scam-economy growth. Then the cases of Cambodia, Myanmar, Laos and the Philippines are analysed to show how different political settlements mediate scam economies and shape the organization of power and the exercise of public authority. The analysis draws on a wide range of sources, including investigative journalism, NGO reports, academic studies and international agency assessments. Given government secrecy and restricted access to data on criminal activity, quantitative estimates such as revenues generated by scam operations should be treated as approximate. The conclusion reflects on the broader implications for understanding the convergence of crime and political power in the global political economy.

STATE WEAKNESS, DIRTY MONEY, POLITICAL SETTLEMENTS AND ILLEGALITY

Much of the academic and policy literature on transnational organized crime has been grounded in the framework of state weakness. In this paradigm, illicit economies are seen as symptoms of institutional fragility, poor governance and the state's inability to control territory or enforce the rule of law (Acemoglu et al., 2020; Rotberg, 2004; Patrick, 2011; United Nations, 2025; USIP, 2024). Crime is portrayed as an exogenous threat that thrives where governance is absent, often likened to a parasite feeding on institutional collapse. Policy responses, accordingly, tend to emphasize capacity building, legal reform and international enforcement cooperation.

A growing body of critical scholarship challenges this assumption. In many contexts, illicit economies do not operate outside the state but are sustained through its complicity, as criminal actors function with impunity, receive protection from state or state-like officials and institutions, or are embedded within ruling coalitions. Classic political economy analyses show that rulers may actively integrate illicit markets into strategies of regime maintenance and elite control (Bayart et al., 1999; Reno, 1998). Rather than being undermined by criminal activity, state institutions and governing elites often enable, organize and benefit from it.

Recent work reinforces this critique by demonstrating state involvement in illicit economies. Kupatadze (2023) identifies multiple modalities of state–criminal collaboration, showing that collusion ranges from informal

protection networks and profit-sharing agreements to the direct organization of criminal activity by state officials. Gallien (2024) similarly demonstrates how governments negotiate durable arrangements with smugglers through selective enforcement, informal taxation and the provision of protection, revealing that illicit cross-border trade can be incorporated into strategies of political control and revenue generation rather than simply tolerated as a by-product of weak governance. Contributors to Heyman (1999) show how illegality is routinised within state practices through discretionary enforcement and rent-seeking by bureaucrats and security forces, embedding illicit economies within everyday governance. Gutiérrez-Sanín and Gutiérrez (2022) advance this insight by arguing that criminality is constitutive of political power, challenging the notion that organized crime reflects state weakness and instead demonstrating how illicit actors can be integral to the production and maintenance of political order.

In Southeast Asia, these insights are sharpened by the ‘dirty money state’ (Baker and Milne, 2015) and ‘state illegality’ (Aspinall and van Klinken, 2011) theses, which show how illicit rents, slush funds and protection rackets are systemic features of governance rather than anomalies. From logging and gambling to smuggling and extortion, such revenues are channelled through patronage networks, financing political parties, security forces and elite factions, while continually blurring the line between legality and illegality in the exercise of power.

Barnes (2017) offers a useful vocabulary for describing state–crime relations, distinguishing between confrontation, evasion, alliance and integration. In confrontation, states attempt to suppress criminal actors; in evasion, both sides avoid direct engagement while coexisting; in alliance, state officials and criminal groups collaborate informally for mutual gain; and in integration, criminal actors are incorporated into governance arrangements and perform functions normally associated with the state. As the analysis below shows, criminal actors involved in Southeast Asia’s scam economies sit along the alliance–integration continuum in Barnes’s formulation, operating through negotiated relationships with political actors rather than in opposition to them. However, while this typology captures the forms that state–crime relationships take, it remains largely descriptive. It does not explain why these relationships emerge in some contexts and not others, or why they evolve over time. To address this, I turn to scholarship that conceptualizes authority and governance more relationally.

Lund shows that political authority is not confined to the state but is exercised by a range of actors who govern, allocate rights and extract resources without formal mandate yet still command recognition (Lund, 2006). His analysis of twilight institutions demonstrates that authority often emerges in legally ambiguous spaces, and his later work emphasizes that state authority is not fixed but ‘always in the making’ (ibid., 2016). This shift from ‘crime outside the state’ to ‘crime as incorporated into authority’ informs the analysis developed here and is especially evident in contexts

where authority is fragmented and delegated among multiple power centres, for example in the cases of Myanmar and Laos examined below, where governance is negotiated among overlapping state, state-like and non-state actors within broader political settlements.

Political settlements are informal but enduring agreements among powerful actors that shape how resources are allocated, authority is exercised, and coercion is organized (Khan, 2010). Political authority is not exercised by the state alone but is produced and recognized across coalitions of actors embedded in formal and informal systems of governance, who negotiate access to rents and protection. Crucially, these arrangements often incorporate illicit economies as stabilizing mechanisms — means of distributing income, rewarding loyalty, or financing coercive capacity (Khan, 2010; see also Cheng et al., 2018). In Myanmar, for example, ceasefires between the state and ethnic armed groups were sustained through shared participation in the narcotics trade (Meehan, 2011), illustrating how, as work on illiberal peacebuilding shows, illicit economies can stabilize political settlements by financing elite bargains and conflict management and, over time, become incorporated into the settlements themselves (McCarthy and Farrelly, 2020; Smith et al., 2020). As we shall see with scam economies, the relationship is recursive: illicit economies are produced by and within existing political settlements, yet they also reshape them by reweighting elite bargains and power relations over time.

I also draw on structural political economy, which emphasizes how domestic political settlements are shaped by international economic forces, including flows of foreign capital (Hutchison et al., 2014). From this perspective, development is a contested process of structural transformation, driven by struggles between dominant and subordinate groups over access to resources and influence, and constantly in motion. Illicit capital, like foreign aid (Hutchison et al., 2014) or international investment (Loughlin, 2025a; Loughlin and Grimsditch, 2021), is not external to these dynamics, but is absorbed into political and economic structures, reinforcing elite networks while provoking resistance from rivals. This approach thus recognizes that political settlements are continually reshaped as elites and social forces renegotiate their place in shifting hierarchies through opportunities created by external interventions (Hutchison et al., 2014), including illicit finance.

This article shows how and why illicit capital and the scam economy have become central to state financing, war making, elite patronage and public authority in Southeast Asia. Scam infrastructures have also appeared in other regions, including parts of the Caucasus, Central America and the Middle East, reflecting the mobility of digital fraud networks and the offshore relocation of criminal operations. Emerging evidence from Africa suggests that similar configurations are developing there, where scam operations are taking root in contexts marked by corruption, elite brokerage and permissive legal environments (Bratton and van de Walle, 1997; Richards and Eboibi, 2021; UNODC, 2025). This comparative resonance indicates

that the mechanisms through which illicit economies become embedded in political settlements and governing arrangements are not regionally bounded.

Taken together, political settlements analysis and structural political economy provide an integrated framework for analysing the diffusion of criminal governance. Rather than treating illicit markets as symptoms of state weakness, this approach shows how they are mediated by existing political settlements and become constitutive of the practices through which rule is organized and maintained. At the same time, these dynamics are conditioned by broader structural transformations, including the circulation of digital capital, transnational illicit finance and the offshore relocation of operations. The next section examines these structural drivers before turning to the case studies.

STRUCTURAL DRIVERS: CHINA, GREY CAPITAL AND THE OFFSHORE INFRASTRUCTURE OF CRIME

The emergence of Southeast Asia as a hub for cyber scamming reflects wider transformations in the political economy of crime and capital. Local political arrangements have long enabled illicit markets to be incorporated into governance systems, but the rapid expansion of the cyber-crime industry has been driven by exogenous forces, above all the displacement of Chinese capital and global criminal networks. This section traces how flows of grey finance, lax jurisdictional oversight and entrepreneurial criminal actors converged to position Southeast Asia as a permissive and profitable base for digital scamming.

Much commentary on the Southeast Asian scam economy has focused on the role of the People's Republic of China (PRC) (Ho et al., 2026; Sims, 2025; Tower, 2025a; USIP, 2024). In some accounts, Chinese involvement is portrayed as singular and state-directed, implying coordinated complicity or suggesting that scams are a direct extension of Chinese state power (Tower, 2025b; USIP, 2024). This framing risks oversimplification and obscures important distinctions between the Chinese state, private Chinese investors and Chinese-linked transnational criminal networks (Campbell, 2025). While Chinese nationals and Chinese-origin capital have played central roles in developing scam economies, their involvement is diverse, fragmented and often contradictory, spanning licit, illicit and grey zones of activity.

Granular studies of the rise of cyber scams in Southeast Asia show that they emerged from the interaction of dislocated capital, permissive regulatory environments and elite brokerage (Franceschini et al., 2025). The scam industry is fundamentally transnational in character, involving actors from multiple countries engaged in recruitment, logistics and financial operations (UNODC, 2025). The model that has taken hold in Southeast Asia can be traced back to Taiwanese operations in the 1990s, which later spread to

the Chinese mainland before moving offshore in the 2010s (Franceschini et al., 2025). A narrow focus on the PRC, or on ‘China’ broadly conceived, without unpacking the specific actors and interests involved obscures this complexity and risks attributing state intentionality to what is often decentralized, opportunistic and network-driven activity.

Part of the problem lies in how analysts and media accounts have frequently conflated very different types of Chinese activity. Legal investment flows are often lumped together with grey-market capital or outright criminal operations (Tower, 2025a, 2025b). Chinese-funded infrastructure — particularly real estate — has frequently created the enabling conditions for scam operations to emerge. Vacant or underutilized casinos, unfinished towers and speculative urban projects left behind by Cambodia’s burst real estate bubble, for example, have been repurposed into scam compounds, with Sihanoukville becoming a case in point through its evolution from ‘frontier city’ to scam hub (Franceschini, 2024). However, many of these developments were driven by small-scale or subnational investors operating independently of official policy and should not be conflated with the large-scale, state-backed infrastructure projects that form part of the PRC’s formal economic diplomacy in Southeast Asia (Loughlin and Grimsditch, 2021). There is, at present, little publicly available evidence of direct Chinese state complicity in the scam industry. On the contrary, the phenomenon increasingly poses a reputational and political challenge for Beijing, not least because Chinese citizens are among the most frequently trafficked and defrauded by these networks (Lin, 2025).

Yet the absence of formal complicity should not be mistaken for political neutrality. Enforcement efforts have often been cautious and selective, reflecting the PRC’s balancing act between curbing cross-border criminal activity and maintaining relationships with governments and elites in host countries that may themselves be entangled in these economies. In Myanmar, for example, efforts by various groups to crack down on scams in areas they control appeared to have become a factor in Chinese support to armed actors during a recent offensive (Tucker, 2025). In Cambodia, China’s closest ally in Southeast Asia, Beijing has avoided direct criticism of the government despite the scale of scam activity.

Nevertheless, the Chinese state has taken concrete steps to pressure regional authorities to investigate suspects, repatriate victims and dismantle scam operations (Board, 2025). In a telling cultural moment, one of China’s highest-grossing films of 2023 portrayed the dangers of travel to Southeast Asia. Although the film avoided naming the country in which it was set, promotional posters depicted trafficked victims in T-shirts printed with Khmer script. Such representations, which experts suggest may have had tacit approval from the Chinese government (Hobbs, 2023), indicate that the issue has become domestically salient, prompting state responsiveness, albeit in ways calibrated to broader diplomatic and security interests. This pressure has been compounded by the extradition or prosecution in China

of several alleged criminal actors, signalling the effectiveness of bilateral pressure and enforcement efforts by Chinese authorities against individuals, such as Chen Zhi (see below), who had previously been thought to enjoy protection from host governments.

At the same time, the growth of the scam industry cannot be understood without reference to China's own internal governance strategies. Since the early 2000s, the Chinese government has pursued successive waves of anti-fraud and anti-corruption campaigns aimed at public officials, financial intermediaries and politically connected elites. These efforts intensified after the inauguration of President Xi Jinping in 2012, accompanied by stricter controls on online gambling, speculative finance and cross-border capital flows (Lockett, 2025). China operates a managed system of foreign exchange and capital controls intended to regulate outward flows and preserve macroeconomic stability. Periodic tightening of oversight over high-risk financial activity has increased regulatory pressure on certain categories of capital (UNODC, 2024a, 2025).

One consequence of these regulatory shifts has been the externalization of financial and criminal risk. As Chinese grey capital has increasingly moved abroad (UNODC, 2024b), some funds have been relocated beyond the PRC's regulatory perimeter through informal or opaque channels, including underground banking networks and offshore corporate structures (UNODC, 2024a, 2025). Much of this capital is not necessarily criminal in origin. Rather, it may be legally ambiguous, politically sensitive, or constrained by domestic controls. Once offshore, however, such capital can intersect with digital fraud, laundering mechanisms and systems of political protection in mainland Southeast Asia.

These regulatory shifts, together with increased Chinese government pressure on criminal actors at home and abroad, created incentives for politically exposed persons, fugitive financiers and underworld entrepreneurs to relocate operations to Southeast Asia. Figures such as the Chinese Cambodian businessman She Zhijiang channelled capital into casino and real estate projects in the Philippines, Cambodia and Myanmar, while Zhao Wei's Kings Romans Group, a Chinese-owned conglomerate operating the Golden Triangle Special Economic Zone in northern Laos, became a hub of illicit accumulation. Their wealth and connections enabled them to negotiate directly with ruling party elites and military patrons, embedding capital into local patronage systems.

Alongside these financiers, gambling operators and triad-linked organizers diversified from junket operations and online casinos into cyber fraud, bringing managerial expertise, call-centre scripts and payment infrastructures (UNODC, 2025). In Myanmar, for example, their operations took root through enclave deals with local power brokers — for example, She Zhijiang's Yatai Group with the Karen Border Guard Force (BGF, now KNA) at Shwe Kokko, and projects associated with Wan Kuok-koi (a Macau gangster known as 'Broken Tooth') under the Dongmei banner near

Myawaddy (GI-TOC, 2025; Ho et al., 2026; Peng, 2024a; US Department of the Treasury, 2025).

A further layer came from diaspora intermediaries and technology specialists, who recruited and managed labour, brokered ties with landlords and officials, and moved funds through over-the-counter crypto desks, underground banks and shell firms. Though less visible than financiers or syndicate bosses, their brokerage allowed compounds to operate across jurisdictions, adapt after crackdowns and channel illicit revenues into global circuits (UNODC, 2024b, 2025).

Within this broader context, it is important to emphasize that externalized scam capital did not arrive in a vacuum. It converged with earlier waves of licit and illicit investment, shaping the direction of foreign capital and influencing where and how the industry took root. Scam centres frequently occupy underutilized or speculative real estate — casinos, office towers and residential compounds (Loughlin and Grimsditch, 2021) — repurposed through coordinated arrangements between landlords, fixers and criminal operators. The spatial and institutional foundations of this industry were therefore not created from scratch, nor simply imposed by parasitic outsiders exploiting weak states. Rather, they co-evolved from infrastructures established during the region's casino and gambling boom of the 2010s, when cities such as Sihanoukville in Cambodia became hubs for investment in casinos, hotels, special economic zones and logistics corridors (Franceschini, 2024; Loughlin, 2024b; Loughlin and Grimsditch, 2021; Sims, 2017). These operations attracted a wide range of actors — licit and illicit alike — drawn by opportunities in gambling, property speculation and high-risk offshore capital circulation (Loughlin, 2022, 2024b).

This continuity in spatial and institutional arrangements also illustrates a broader regional pattern: the ability of political and economic elites to adapt informal accumulation strategies in response to new revenue streams and shifting regulatory or market conditions (Baker and Milne, 2015; Loughlin and Milne, 2025). This also maps onto processes of capitalist development in these countries marked by cronyism and uneven economic growth (Carroll et al., 2020; Hughes, 2020). As the case studies below demonstrate, several of the states in Southeast Asia were already primed by decades of entanglement with illicit economies and transnational organized crime (Loughlin, 2024a, 2024b; UNODC, 2019; Woods, 2011).

Finally, structural transformations in global finance have also been crucial. The rise of cryptocurrencies, offshore banking jurisdictions and informal value transfer systems has equipped scam operators with a diverse portfolio of laundering strategies (US Department of Justice, 2024). Cryptocurrency payments are routed through digital wallets, pooled across multiple accounts and cashed out via over-the-counter brokers or shell companies (TRM Labs, 2024). Third-party intermediaries in financial hubs such as Singapore, Hong Kong, Dubai and the Isle of Man have facilitated these flows (BBC News, 2024). In a notable case, several PRC-born oper-

ators who had recently obtained Cambodian citizenship laundered billions through Singapore, converting digital assets into real estate, luxury goods and stable fiat currencies (Califf and Soeung, 2023; Sun and Chua, 2023).

This laundering infrastructure performs a dual function: it obscures the origin of illicit funds and enables scam revenues to be reintegrated into host-country political economies as investment capital, campaign financing and discretionary patronage. In Cambodia, for example, scam-linked funds have supported elite property developments, underwritten political campaigns and helped purchase advisory titles within the ruling party (Loughlin, 2024a). Finally, funds can be moved on to other jurisdictions and invested in stable and lucrative assets.

Taken together, these dynamics constitute a transnational circuit of criminal accumulation: the cross-border production, movement, laundering and political protection of illicit capital. Illicit value is generated in scam compounds, laundered through offshore networks and protected through political arrangements that exchange territorial access for rents. Chinese and other foreign criminal actors provide capital, technical expertise and cyber infrastructure, while Southeast Asian elites supply territory, legal impunity and political protection. Offshore financial centres provide insulation and reinvestment channels. The result is a criminal economy operating across jurisdictions while maintaining deep local roots.

POLITICAL SETTLEMENTS AND THE GOVERNANCE OF ILLICIT ECONOMIES IN SOUTHEAST ASIA

To explain the rapid expansion of scam economies in Southeast Asia, it is necessary to examine the political environments in which they operate. Their growth cannot be understood solely in terms of geographical proximity, infrastructure, lax law enforcement, or the ease of cross-border movement, although these factors have been important (Franceschini et al., 2025). Instead, it is rooted in the political and institutional character of specific regimes — above all, in their capacity to mediate, accommodate and profit from illicit accumulation. A central enabling feature is the system of elite brokerage and patronage and uneven economic growth that underpins many Southeast Asian political economies (Carroll et al., 2020; Rodan et al., 2006). Governance is rarely conducted through impartial institutions or the predictable application of law; rather, it is organized through personalized networks of power and discretionary authority. Political loyalty is secured by distributing access to rents — land concessions, business licences and police protection (Hughes, 2020) — and the same mechanisms extend seamlessly into the regulation of illicit markets.

As regional scholarship has long shown, these patterns reflect legacies of colonial and post-colonial state formation and Cold War counterinsurgency, which bound together state, military and business elites. Frontier

concessionary regimes and crony capitalism embedded protection rackets and illicit rents into the fiscal and organizational architecture of rule (Le Billon, 2000; Lintner, 1995; Loughlin, 2024b; McCoy, 2009; Sidel, 1999). Scam economies are extensions of these systems. Yet their incorporation varies across the region and reflects the organization of power within particular political settlements. The analysis now turns to how these dynamics operate in Cambodia, Myanmar, Laos and the Philippines.

Cambodia

Cambodia has emerged as the most prominent and consolidated scam economy in Southeast Asia, and it provides an example of how illicit accumulation can be integrated into a highly centralized political order. The country's transformation from a post-conflict state reliant on timber and land rents to a hub of cyber scamming illustrates the adaptive capacity of political elites to harness illicit economies as sources of regime power (Loughlin, 2024b). The ruling Cambodian People's Party (CPP), in power in various forms since 1979, has incorporated informality, illegality and transnational capital into its political settlement (Loughlin, 2024a). It has crafted a model of rule that fuses formal state authority with discretionary control over both licit and illicit rents. In Barnes's (2017) continuum of state-crime relations, this configuration most closely approximates integration.

At the core of this settlement is a mutually reinforcing alliance between senior CPP leaders and a small circle of business elites whose wealth depends on privileged access to state contracts, regulatory protection and monopoly concessions (Loughlin, 2024a). In return, these tycoons fund political campaigns, support military units and form joint ventures with political families, producing a tightly knit elite class sustained by patronage and entrenched favouritism (*ibid.*).

This configuration took shape in the post-Khmer Rouge era, when wartime patronage and natural resource exploitation — especially logging — formed the basis of elite bargaining (Le Billon, 2000). Power was exercised collusively: provincial commanders and military officials extracted rents in exchange for loyalty to the CPP. By the early 2000s, amid international pressure and environmental depletion, the regime shifted to land concessions and real estate (Milne, 2015). Through elite brokerage and state force, large swathes of land were leased to politically connected tycoons, many of whom were formally appointed as senators or advisers (Global Witness, 2013, 2016). These figures expanded their empires across construction, infrastructure and banking, blurring lines between public office and private capital.

This hybrid political economy laid the groundwork for the scam industry. From the mid-2010s, Cambodia's elite pivoted toward a new frontier of accumulation. Private Chinese capital, first in manufacturing and real estate, then in casinos and online gambling, flooded into the country, with the city

of Sihanoukville emblematic, fuelling a construction boom driven by investors seeking residency, licences and protection (Loughlin and Milne, 2025).

After Beijing's 2018 crackdown on online gambling and Cambodia's own ban in 2019, the sector contracted but did not collapse. Some operators continued illicit gambling; others pivoted to digital fraud, repurposing casino infrastructure such as buildings, payment systems and client data for scam compounds employing trafficked workers. As tourism dried up during the COVID-19 pandemic, these operations expanded rapidly. By 2021, Sihanoukville had become one of the world's most notorious scam hubs (Turton, 2021).

This transition from gambling to scamming did not occur outside state oversight. It was enabled by the same networks that had underpinned previous cycles of extraction. Scam compounds were protected by local officials, policed by private security and integrated into real estate developments owned by CPP-linked tycoons. Public reporting has identified properties and companies associated with some of the country's most powerful tycoons as sites of scam activity.¹ These tycoons have long histories of involvement in logging, land concessions and other rent-seeking ventures. These high-profile figures are not alone, however, and less well-known businesspeople and officials have also been linked to illegal online operations across the country.

At the same time, criminal entrepreneurs have obtained Cambodian citizenship through opaque procedures, often by making large payments to the state, and have used it to acquire land, avoid extradition and shield themselves from law enforcement in their home countries. Acquiring additional citizenship, and sometimes changing names, also helps to obscure an individual's identity should they be subject to 'know your customer' checks when opening bank accounts, acquiring assets and moving funds. The high-profile case of She Zhijiang, who gained Cambodian citizenship in 2019 and was later arrested in Thailand, illustrates how citizenship is used to frustrate cross-border enforcement (Ferrie et al., 2023). Other Chinese nationals implicated in scam operations were arrested in Singapore in 2023 and found to be holding multiple passports, including Cambodian, exposing transnational laundering networks linked to the country (Califf and Soeung, 2023).

These actors do not operate in isolation. They cultivated ties to political elites, donated to state development programmes and, in some cases, acquired honorific titles such as Oknha, granted to wealthy businesspeople who have donated at least US\$ 500,000 to the state (Strangio, 2020). One prominent figure is Chen Zhi, who became a Cambodian citizen in 2014 and later served as an adviser to senior CPP leaders. Media reports and international sanctions have implicated him as a major figure in scam-related

1. See Cyber Scam Monitor: <https://cyberscammonitor.net/>

criminal activity, and the success of Prince Group, now one of Cambodia's most powerful conglomerates, illustrates how illicit or grey capital can be laundered not only financially but also politically through strategic gifting, co-investment and regime brokerage (Adamović Davies, 2020, 2022; RFA Staff, 2022).

In October 2025, Chen was indicted by the US government, with US\$ 15 billion in cryptocurrency seized. This offers a small indication of the size and scale of the profits scams may have generated and raises questions about the political and economic implications for Cambodia, given how important this industry has become to the economy, and how the CPP will manage the targeting of a figure accused of involvement in scam operations with such close links to the government. In January 2026 Chen was extradited to China, having evaded sanction for several years seemingly under the protection from parts of Cambodia's elite, before international pressure apparently became too much to bear.

The Huione scandal underscores how Cambodia's financial infrastructure has been leveraged to support scam-linked capital flows. In 2024, Elliptic² identified Huione Guarantee as a major online marketplace widely used by scam operators across Southeast Asia, facilitating transactions for money laundering, data provision and fraud infrastructure at scale, with cryptocurrency flows linked to the platform exceeding US\$ 11 billion since 2021 (Elliptic, 2024). In 2026, the US Treasury's Financial Crimes Enforcement Network (FinCEN) designated Huione Group as a primary money laundering concern under Section 311, finding that it had laundered billions in illicit proceeds linked to cyber-enabled fraud and other criminal activity (US Department of the Treasury, 2026). Elliptic (2024) further reported that Huione Group forms part of a Cambodian conglomerate with connections to the ruling Hun family, noting that Hun To, reported to be a cousin of Prime Minister Hun Manet, has served as a director of Huione Pay. These findings situate scam-linked financial infrastructure within politically connected business networks embedded in Cambodia's broader political settlement.

Across the board, state responses to the scam industry have been inconsistent, selective and often performative (OHCHR, 2023). Although international pressure — including Cambodia's downgrade to Tier 3 in the 2022 US Trafficking in Persons Report³ — prompted a temporary crack-down in 2022, enforcement was often compromised by internal collusion. Reports surfaced of advance warnings being given to scam operators (Wee, 2023), and implicated figures retained official positions or state honours. What emerged was not an attempt to dismantle the scam economy, but to manage its reputational fallout.

2. Elliptic Enterprises Limited provides services to a range of industries with the aim of preventing financial crime in crypto.

3. For the 2022 US Trafficking in Persons Report, please see: www.state.gov/reports/2022-trafficking-in-persons-report.

Once the industry could no longer be denied, officials adopted a narrative of victimhood, portraying Cambodia as overwhelmed by a foreign, technologically advanced threat it lacked the capacity to police. Yet this narrative sits uneasily alongside reality: foreign bosses were awarded passports and state honours, and major scam compounds — often massive, heavily guarded developments employing trafficked labour — remained untouched. Dealing with such visible physical operations requires only basic enforcement capacity, not advanced forensics. The issue, in short, is not technical incapacity but political complicity. This was underscored in 2025 when the US Trafficking in Persons Report labelled Cambodia a ‘state sponsor’ of human trafficking, alleging high-level protection of scam operations.⁴

Since late 2025, Cambodian authorities have implemented a broader campaign of site closures, arrests and large-scale deportations, framed as a decisive effort against transnational fraud but with significant humanitarian consequences. The timing and scale reflect sustained international pressure, including intensified PRC engagement over cross-border scam operations, US–UK and other sanctions targeting scam-linked finance, and rising tensions along the Thai–Cambodia border. PRC pressure has been particularly consequential: the transfer of Chen Zhi to China, despite being sought in multiple jurisdictions, likely signalled Beijing’s willingness to pressure Phnom Penh over high-profile actors connected to scam-linked capital. Public reporting indicates disruption in some areas alongside relocation to smaller sites and operational adjustments. At the time of writing, the durability of this crackdown and the industry’s future configuration remains uncertain (Stimson Center, 2026).

Beyond international pressure, the scale of the campaign also reflects structural pressures generated by the incorporation of scam-linked finance into Cambodia’s political economy. While this integration has provided rents and political resources, it has also generated vulnerabilities by distorting patterns of capital allocation, intensifying intra-elite competition and undermining key growth sectors such as tourism and manufacturing, thereby eroding investor confidence in an economy increasingly associated with criminal rents (Loughlin, 2025b). As diplomatic, economic and reputational pressures accumulated, the costs of continued accommodation appear to have begun to erode the advantage of the benefits derived from illicit rents, contributing to the shift toward more visible enforcement.

Cyber scamming has thus functioned as both a source of illicit rent and a resource for elite consolidation within Cambodia’s authoritarian political settlement. Scam-linked capital has circulated through the real estate, hospitality, finance and infrastructure sectors, blending with licit investment and reinforcing elite dominance. This political utility rests on a tightly knit ruling coalition in which proximity to power guarantees protection and the

4. For the 2025 US Trafficking in Persons Report, please see: www.state.gov/reports/2025-trafficking-in-persons-report/

boundary between legality and illegality remains deliberately porous. In this configuration, illicit accumulation is institutionalized within the political settlement as a mechanism of elite bargaining and regime reproduction. As with timber in the 1990s and land in the 2000s, digital fraud has operated as an extractive frontier that reflects and reproduces the organization of political power.

Myanmar

Myanmar is perhaps the most consequential scam hub in Southeast Asia after Cambodia, and it provides a contrasting example of how illicit accumulation becomes embedded within a fragmented and negotiated system of authority. Scam operations are rooted in a long-standing structure of contested sovereignty shaped by civil war, militarized state formation and ceasefire politics. As Woods (2019) shows in his analysis of ‘armed sovereignties’ in the Myanmar–China borderlands, authority in these regions has historically been extended through negotiated arrangements with armed actors rather than consolidated through direct territorial control. Authority is therefore divided among the Tatmadaw, Myanmar’s armed forces and the central institutional actor in the country’s military-led political order, and multiple ethnic armed organizations (EAOs), militias and other groups that control significant territory along Myanmar’s borderlands. These actors maintain parallel administrations, tax regimes and coercive apparatuses, while formal civilian governments, including the short-lived administration of the National League for Democracy (2016–21), have exercised limited reach beyond core urban areas. In Barnes’s (2017) continuum of state–crime relations, this configuration falls between alliance and partial integration.

At first glance, the situation might resemble a case of crime thriving in ungoverned spaces, but it is better understood as a mosaic of overlapping authorities. Following Lund (2006), many of these arrangements can be characterized as twilight institutions: armed groups and militia–business networks that police, tax and license economic activity with social recognition and de facto state accommodation despite operating in legal ambiguity. Several territories now hosting scam operations, such as Kokang, Wa, Myawaddy and Laukkai, have long been under the control of non-state groups operating under ceasefire arrangements that granted them substantial autonomy from the central state. These groups developed their own bureaucracies, policing functions and taxation systems, exercising state-like authority over economic activity, mobility and cross-border trade (Jones, 2014; Woods, 2011). These arrangements form a core component of Myanmar’s broader political settlement: an informal and continually negotiated distribution of power and resources among the military, the central state and non-state armed actors.

Illicit economies, including logging, narcotics, jade extraction and, more recently, cyber scamming, have long been integral to Myanmar's political settlement. During the 1990s–2010s ceasefire era, these arrangements were institutionalized through negotiated bargains that traded territorial autonomy and access to illicit rents for relative stability, embedding illicit accumulation within systems of delegated authority and informal coalition building (McCarthy and Farrelly, 2020; Meehan, 2011; Woods, 2019). These economies financed armed actors, sustained patronage networks and provided the material foundations of rule, while also generating competition among rival centres of authority. They did not persist in an institutional vacuum; rather, they were governed through structured bargains that allocated rents, protection and access to territory among military, business and insurgent elites. In Myanmar's borderlands, this system of delegated authority and militia governance corresponds to what Meehan and Dan (2023) describe as 'brokered rule', in which armed groups mediate between the central state and illicit economies through coercive brokerage. As Peng (2024b) observes, 'ethnic armed organisations leverage administrative autonomy negotiated with the government to sustain their economies'.

Since 2021, renewed civil war has reshaped this settlement. Scam operations are actively managed by both the military regime and multiple armed groups, intensified by the imperative to finance armed conflict. Heightened militarization and territorial contestation have further fragmented authority and deepened the negotiated and competitive character of rule, as armed actors license compounds, provide protection and integrate criminal proceeds into their political economies (Peng, 2024b; USIP, 2024). Cyber scamming has flourished through these structures of delegated sovereignty and militia governance, embedding itself within systems of territorial control and revenue extraction. The rents and protection it generates have reweighted bargaining among the military, EAOs and local brokers, reshaping power relations and recalibrating wartime political settlements, as reflected in shifting negotiations, rivalries and tactical alliances between the Tatmadaw, militias and competing ethnic armed organisations and other groups and factions described below.

In Kayin State, particularly around Myawaddy and Shwe Kokko, scam operations are embedded in the governance of the Karen BGF, a Tatmadaw-aligned militia formally under military command but operating with significant autonomy. Formed in 2010 from former rebel units, the Karen BGF became a key vehicle for the military's strategy of delegating violence in the borderlands. Watanabe (2026) characterizes this as a form of armed brokerage: the BGF sustains state control in contested peripheries while simultaneously carving out its own authority. Leveraging its position, the Karen BGF partnered with Chinese investors and criminal groups to develop Yatai New City at Shwe Kokko into a fortified scam hub employing thousands of trafficked workers and protected by armed guards, power and infrastructure. Revenues from these operations fed into a wider portfolio of

licit and illicit activities, blurring boundaries between state authority, local business and criminal enterprise.

These flows of illicit capital reshaped the Karen BGF's relationship with the state. Scam revenues enabled the militia to expand recruitment, cultivate patronage and arm independently, reducing reliance on Tatmadaw support and enhancing its bargaining power. Watanabe's account of the 2020–21 Shwe Kokko controversy highlights this dynamic: following scrutiny of the Yatai New City project by the civilian government and the military, Naypyidaw⁵ pressured senior Karen BGF leaders, including Colonel Saw Chit Thu, to step down. The commanders initially agreed to resign but later withdrew their offers after negotiations with the military, demonstrating the militia's growing leverage within the relationship (Watanabe, 2026). The Karen BGF's role as a coercive broker was reinforced by its ambiguous stance toward the Karen National Union (KNU): while fighting alongside the Tatmadaw at times, the BGF also joined Karen coordination bodies and cultivated ties that allowed it to present itself as part of the broader Karen movement. In this sense, illicit economies became integral to the continual renegotiation of authority in the borderlands.

In 2024 the Karen BGF rebranded itself as the Karen National Army (KNA), declaring neutrality and claiming a political role distinct from the KNU's armed resistance, even as it continued tactical cooperation with the junta (Watanabe, 2026). Independent reporting suggests the KNA collects revenues directly from Shwe Kokko businesses, retaining about 30 per cent of profits while Yatai takes 70 per cent, and that between 10 and 50 per cent of the KNA's estimated US\$ 192 million annual share is passed to the Tatmadaw (GI-TOC, 2025: 35). Through these arrangements, the Karen BGF/KNA has consolidated itself as both a military auxiliary and an autonomous economic actor. The case highlights the relational and ambiguous dynamics of armed brokerage: fragmented sovereignty and contested consolidation created the space for cybercrime to flourish, while scam revenues recalibrated bargaining among the military, EAOs and local brokers, reshaping Myanmar's political settlement in complex and contradictory ways.

Elsewhere, in Shan State, the fragmented and contested nature of Myanmar's political settlement is even more visible. In Laukkai, Eastern Kokang's economic centre, the Kokang Border Guard Force — a militia formally under military command — licensed Chinese-led scam syndicates and transformed casino infrastructure into large-scale cybercrime hubs. These operations reportedly generated revenues in the tens of billions and operated with clear military protection (Aung Zaw, 2026). Yet in late 2023, the Three Brotherhood Alliance launched Operation 1027, targeting these military-backed scam centres. While publicly framed as an anti-fraud offensive, the operation was also a strategic move by the Myanmar National Democratic

5. The Myanmar seat of government.

Alliance Army to reclaim territory lost to a breakaway faction, demonstrating how EAOs engage with the illicit economy not only for profit but to achieve political and territorial goals (Peng, 2024a). The offensive underscored that scam economies are not peripheral but central to the bargaining that structures Myanmar's political order: their capture and redistribution recalibrated relations among the Tatmadaw, EAOs and local brokers. In this sense, Operation 1027 did not simply disrupt scam networks but forced a renegotiation of the settlement in Shan State, showing again how, in Myanmar, illicit economies have reshaped the terms of authority and control.

Since late 2025, enforcement pressure on Myanmar's scam hubs has intensified under sustained Chinese diplomatic and law-enforcement engagement and Thai cross-border security measures. Operations around Myawaddy and other Thai-border compounds have included coordinated raids, detentions and the seizure of equipment, alongside large-scale transfers of foreign nationals to China under trilateral cooperation among Beijing, Bangkok and Naypyidaw. Chinese pressure has therefore been central to the current enforcement phase. Efforts have also extended into eastern Shan State, for example in Tachileik, a town that has been receptive to scam activity and relocation from other hubs. Despite these visible operations, scam activity persists across multiple borderland zones, with relocation into smaller sites and continued operation in areas under militia or local command. Enforcement remains complicated by political will, Myanmar's fragmented sovereignty, and the lure of scam capital within the political economy. It remains too early to determine whether the current enforcement phase represents a sustained shift or a temporary recalibration within this negotiated political order.

Cyber scamming in Myanmar has thus thrived within the country's political economy because it provided a strategic revenue stream for armed actors, while at the same time reshaping bargaining among competing authorities. Scam operations have functioned within regulated zones where coercion, protection and rent extraction are institutionalized by authorities — whether militias, ceasefire groups, or the military — that mimic or substitute for the state. In short, scam economies became part of how power is organized, negotiated and contested.

Laos

Laos represents another configuration in which scam economies are embedded within a system of delegated enclave governance under one-party rule. The rise of scam operations reflects a political settlement rooted in the dominance of the Lao People's Revolutionary Party (LPRP), concessionary resource governance and elite brokerage. The LPRP retains hegemonic control over state institutions and security forces but governs primarily through informal arrangements that allocate rents and discretionary authority to

regime-aligned elites, including provincial officials, military actors and politically connected business families (Creak and Barney, 2022). Within this settlement, authority over particular territories and economic zones is delegated through concessionary arrangements that grant enclave operators significant autonomy in exchange for revenue and political accommodation. In Barnes's (2017) continuum of state–crime relations, this configuration falls between alliance and partial integration.

Heavily indebted and reliant on external capital, Laos has struggled to develop indigenous productive sectors and has instead opened itself to enclave-style extraction, where land, resources and regulatory authority are informally transferred to foreign investors. This model generates rents for state-linked elites but delivers few public goods or employment opportunities, leaving ordinary Laotians marginal to the gains of growth. In this context, dependency has created structural incentives for illicit economies to proliferate through state–capital collusion and delegated sovereignty.

The Golden Triangle Special Economic Zone (GTSEZ) exemplifies how illicit economies are embedded within these structures. Functioning as a de facto enclave of delegated authority, the GTSEZ combines permissive regulation, localized security and high-level political protection to enable scamming, gambling, trafficking and speculative investment. These activities are not marginal — they are integral to broader systems of rent extraction and regime maintenance.

Rather than reflecting state weakness, this permissiveness is strategic, and in concert with Laos's long-standing entanglement with illicit economies, from narcotics to illegal logging and wildlife trafficking (van Uhm et al., 2021). As Barney (2025: 345) observes, 'vice or shadow economies proliferate in tandem with the formal economy and are distributed through sovereign territories'. Scams are not aberrations but extensions of these embedded informal arrangements.

This was underscored in December 2024, when Zhao Wei, the Chinese head of the Kings Romans Group and de facto ruler of the GTSEZ, was awarded a Third-Class Development Medal by the Lao government (Strangio, 2024). Despite being sanctioned by the United States as a transnational criminal, Zhao was formally honoured, ostensibly for his financial support to local police. The episode illustrates how zones like the GTSEZ are not governed through state absence, but through calculated permissiveness — where illicit capital is legitimized and absorbed into networks of protection, brokerage and informal sovereignty.

Since 2024, Lao authorities have periodically intensified enforcement against scam operations concentrated in the GTSEZ, including ultimatums to operators, raids and deportations framed as efforts to address transnational fraud (*Laotian Times*, 2026). Chinese pressure has been central in shaping the tempo and visibility of these actions, reflected in joint policing initiatives and regional coordination mechanisms targeting telecom and cyber fraud. However, these measures unfold within the wider Golden

Triangle, a borderland defined by porous frontiers linking Laos, Myanmar and Thailand, where cross-border mobility facilitates relocation as enforcement tightens in particular sites. Enforcement episodes have therefore coincided with displacement across adjacent jurisdictions and continued activity in parts of the border region. It remains too early to determine whether the current enforcement phase represents a sustained shift or another episode within a longer cycle of adaptation.

The Philippines

Finally, the Philippines provides an example of state–crime relations operating within a decentralized system marked by overlapping regulatory authorities and competing local and national interests (USIP, 2024). Political power is dispersed across local networks, dynasties, regulatory agencies and national elites operating in overlapping spheres of influence (Sidel, 1999). This enabled the scams to take hold in certain areas of localized political control, while also creating national–local level tensions in which national agencies eventually bypassed local political operators in an attempt to gain a hold on the industry. Over time, these tensions escalated into an overt political controversy, as senators, cabinet officials and other national figures debated whether the industry should be restricted, regulated, or, finally, banned. In Barnes’s (2017) continuum of state–crime relations, the Philippine’s configuration most closely approximates alliance.

Since the Marcos era, the Philippine state has been deeply entangled in the gambling sector, most visibly through the Philippine Amusement and Gaming Corporation (PAGCOR). Under President Rodrigo Duterte (2016–22), this regulatory infrastructure expanded through the Philippine Offshore Gaming Operators (POGO) scheme, which formalized entry for China-linked firms in the gambling and technology sectors and drew large capital inflows. The 2021 Republic Act No. 11590 fixed a 5 per cent gaming tax on gross gaming revenues and entrenched PAGCOR’s licensing role, making POGOs an important source of state revenue. At the same time, local governments benefited directly through permits, fees and rents, ensuring that the industry fed both national coffers and municipal patronage networks. Oversight, however, remained fragmented across PAGCOR and industrial zones such as the Cagayan Economic Zone Authority and the Authority of the Freeport Area of Bataan, enabling licence shopping and regulatory arbitrage. Crucially, operators also depended on local approvals: mayors issued business permits, land-use clearances and ‘letters of no objection’, while local police provided day-to-day protection or turned a blind eye.

What quickly became apparent was the emergence of large compounds that came to host a range of illicit activities including online scams, trafficking and bonded labour, while retaining legal cover (Franceschini et al., 2025). These operations were enabled by land deals, licences and selective

enforcement from both local and national authorities, fuelling a property boom in host areas and generating capital and rents for business figures. In turn, these revenues appear to have been channelled into elite bargains structured around rent sharing and political protection.

A high-profile crackdown beginning in 2023 exposed the extent of this entanglement. Raids on licensed POGOs in Pampanga, Las Piñas and Pasay uncovered cyber fraud infrastructure, trafficked workers and evidence of coercion. Crucially, national enforcement units, including the Presidential Anti-Organized Crime Commission and military intelligence, bypassed local police, citing complicity or inaction, a pattern repeated in Porac and Bambang in early 2024 (GI-TOC, 2025).

In July 2024, under growing public and diplomatic pressure, and amid intensifying scrutiny from legislators and rival political actors, the Marcos Jr administration announced a full ban on POGOs and ordered the expulsion of registered foreign workers (Loughlin, 2025b). Subsequent enforcement included follow-on raids, licence cancellations and deportations, significantly reducing the formal footprint of large POGO-linked operations. Smaller and more fragmented scam activities have continued to surface, but the scale and visibility of the sector have been materially curtailed compared to its peak (UNODC, 2025).

The trajectory of both expansion and enforcement in the Philippines reflects the dynamics of a competitive, electorally mediated political settlement. Scam operations initially took hold within a decentralized patronage system in which local political machines, regulatory fragmentation and immigration vulnerabilities created openings for POGO-linked capital to embed itself in municipal economies and national agencies. At the same time, elite rivalry, legislative oversight and media scrutiny created conditions under which scandal could escalate into sustained national pressure, rather than being managed primarily through external Chinese and other international pressure as in the more authoritarian cases discussed above. Public investigations and intra-elite competition transformed scam-linked capital from a tolerated revenue stream into a political liability. The Philippine case therefore illustrates how both the emergence and the retrenchment of scam economies are shaped by the configuration of elite competition, institutional oversight and public accountability within the political settlement.

CONCLUSION

This article has explained the rise of cyber scamming in Southeast Asia by showing how and why these economies are incorporated into existing political settlements and governing arrangements. Their mode of incorporation varies across cases and aligns with different positions in Barnes's (2017) continuum of state–crime relations. These configurations are rarely neat and operate through negotiated arrangements of protection, rents and

selective enforcement involving both state and twilight institutions. Crucially, depending on the organization of power within particular settlements, they do more than mirror existing structures of rule; over time, they can reinforce, recalibrate, or destabilize political settlements and patterns of governance.

Recent crackdowns across the region have disrupted visible hubs and altered the scale and organization of operations, yet scam economies have demonstrated adaptability, relocating and reconfiguring in ways shaped by the structure of underlying political settlements and their respective opportunities and constraints. More broadly, the cases examined here speak to longer histories of criminal collusion and accommodation through which successive waves of illicit accumulation have been absorbed into these political economies, revealing durable patterns of elite bargaining and protection that extend beyond any single industry and that the rise of cyber-scamming has brought into sharper relief.

In analysing the rise of Southeast Asia's scam economies, political settlements analysis explains why incorporation occurs by showing how access to rents, protection and coercion is structured. A structural political economy perspective clarifies why scam industries have grown so rapidly: transnational capital — particularly grey Chinese finance, offshore corporate structures, speculative real estate and cryptocurrency-based laundering — entered through pre-existing systems of brokerage and political protection to become part of the political economy of power. Taken together, these perspectives explain the distinct configurations of incorporation identified across the cases and the variation in how scam economies become embedded within political authority.

The framework developed here extends beyond Southeast Asia. Scam infrastructures are increasingly appearing in a range of other regions, suggesting that the dynamics analysed in this article are not confined to the political economies of Southeast Asia. As these industries expand, they are likely to interact with existing systems of political authority in ways shaped by local configurations of power, regulation and elite competition. While illicit revenues may initially stabilize elite bargains, they can also generate new centres of economic and coercive power that reshape political settlements and governing arrangements over time. Future research can examine how far these patterns travel and how different political settlements mediate the incorporation of scam economies into the exercise of political power.

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