

# INTERNATIONAL ANTI-CORRUPTION CONFERENCE 2024

Vilnius, Lithuania

18-21 June 2024

## SESSION REPORT

*Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.*

### **Session Title: Sovereignty for Sale: SEZs, Scam Operations, Casinos, Human Trafficking**

**Date:** 18 June 2024

**Time:** 9.00 AM – 10.30 AM (GMT +3)

#### **Report prepared by:**

Megumi Hara and John Hyde, UNODC

#### **Moderated by:**

Annika Wythes, Team Lead for Anti-Corruption Hub for Southeast Asia, UNODC

#### **Panelists:**

**Pushpan Murugiah** is the Executive Director and Founding Committee Member of the Center to Combat Corruption and Cronyism (C4 Centre) in Malaysia. He has over 20 years of experience in the corporate sector, working in various roles within banking and investment companies, and in fighting corruption.

**Rebecca Miller** is UNODC's Regional Coordinator on Human Trafficking and Migrant Smuggling, covering SEAP based in BKK. Throughout her 20+ years working in the field of trafficking and smuggling, she has advised governments and worked for a range of UN agencies, NGOs, and academic institutions.

**Mech Dara** is an investigative journalist in Cambodia. He was a former reporter with the Cambodia Daily, Phnom Penh Post and Voice of Democracy. Last year, he received the Hero Award by U.S. Secretary of State Antony Blinken for his reporting on the prevalence of cyber-scam compounds in his country linked to human trafficking, forced criminality, TOC groups and corruption.

**Boer Deng** is the Investigations Team Director with Radio Free Asia. She was previously with the BBC News in Washington, the Times of London and has written for the Economist, Slate, Politico, the Washington Post, among other publications.

## **Share the thematic focus of the session, its purpose and corruption risks?**

Aim is to discuss casino and scam operations run by transnational organized crime groups located in Southeast Asia have resulted in human trafficking on a grand scale, facilitated by corruption. Objective is to unpack how many casino and scam operations have legitimized operations by obtaining business licenses or by locating in SEZs established to attract foreign investment.

## **Summary of panelists' contributions & discussion points (please be as detailed as possible)**

### **Pushpan Murugiah**

What are SEZs? Commonly known as Special Economic Zones, they also come in many names, such as a Free Trade Zone (FTZ) similar in concept but limited in space and more confined. SEZs are designed as a legal mechanism to facilitate international trade and incentivize foreign investments. It is designed to make doing business easier. There are about 5000 SEZs in the world. They are created by reducing supervision, with better tax incentives, tariffs, reduced bureaucratic procedures, faster set up, and liberal application of laws. The hope is to also encourage spill over affect such as job opportunity, higher wages, housing and economic prosperity in the region. However, it must be mentioned that not many are successful and the economic benefits have been mixed. There are two types of ownership of SEZs, publicly owned and the other is privately owned. The key take away - SEZ is a designated area where it can build its own free port, with cities governed by a private entity. Power is usually decentralized to private parties or localities. So, in order to make this a success, there must be investments to ensure efficient infrastructure, modern technology, powerful internet connections and reliable power supply.

What's the problem? The same conditions that are meant to encourage investments by above board corporations also allow for undesirable elements to also take advantage, leading to an infiltration of criminal activities. This is encouraged by the lack of regulatory framework, labor rights, no unions are allowed to be formed, governance structures that favor corporations, limited supervision. Corruption is also practiced through licensing regimes, enforcement agents.

- Example: Increase regulation in another jurisdiction - China made changes to their wildlife laws in 2017 to ban ivory trade and other wildlife items, which forced poachers and traders to move from China to less regulated SEZs in Laos, Myanmar and Vietnam to continue to supply to Chinese parties.
- Macau crackdown on illegal gambling saw the shifting of location of point of business from Macau to Cambodia seeing a spike in licensed casinos from 101 to 174, where the number decreased in Macau from 45 to under 30 in 2022.

This is where legitimate companies running "other businesses" like scam operations, investment schemes, online gambling, money laundering, illegal banking are set up in the SEZs. One of the biggest movers of illicit money are the online gambling platforms which allows for cross border entry and exit, meaning putting money in one jurisdiction and taking it out in another jurisdiction as clean money earned as winnings. There are many creative and innovative ways in which money laundering is done. Some SEZs are privately owned for example the Golden Triangle SEZ located in Laos's Banteay Meanchey Province. This is a joint venture between the Laos Government and a private casino operator. This entity operates a casino in the SEZ and has been sanctioned by the US for drug trafficking, human trafficking, money laundering and wildlife trafficking. What is interesting is that they owned 80% while the Laos government owned only 20% of this SEZ. This is an example where there is a complete capture of government policy. Where investments and financing are facilitated by elements

of criminal organization or corporate sector; where they contribute to the development, investment in infrastructure and regional development, and create employment-reducing government obligations.

This leads to another component that must also be looked at, the political power play and nexus between criminal elements within the SEZs. Deeper understanding as to the political connection for setting up SEZs are also crucial to ascertain the true intention and to minimize criminal activity. Some privately owned SEZs even have their own militia and are not subject to the laws of the land. There is no or little accountability by those in power. Many have may heard about this in relation to Myanmar but it extends to beyond the region. This is where sovereignty is left for sale.

### **Rebecca Miller**

The number of SEZs have proliferated across the Mekong region. The Mekong region has historically been known for organized crime (TOC). Some of the reasons why TOC has really utilized SEZs include: Covid pandemic driving TOCs to undertake online criminal activities; Chinese government's crackdown on overseas workers who were working in illegal casinos in SEZs; the rise of cryptocurrencies and online banking; limitation of law enforcement in responding to criminal activities due to the pandemic. All these factors presented opportunities for TOC groups to develop new revenue streams via online scams. Human trafficking for forced criminality—to conduct online scams—plays an important role in this development.

People from all over the world have been trafficked to online scam compounds to conduct scams. Recruitment is often done via social media platforms, targeting specific profiles (IT background, language skills, etc). Victims typically have to pay ransom or recruit others in order to escape. We are now seeing proliferation of similar TOC business model across Southeast Asia, beyond Cambodia.

Corruption plays a major role as TOC groups are targeting corrupt governments facilitating their activities. TOC groups have now forged alliances with key government figures and private sector entities, including law enforcement (such as immigration). Some corrupt immigration officials have even delivered escaping victims to the scam compounds.

UNODC published a report on casinos, money laundering and underground banking—we are talking about billions of profits generated through this business model by TOC groups. , to the level that rival some of the countries' GDP, with full estimated profits of \$7.5 to 12.5 billion USD. Casinos and junkets represent a critical piece in global reach of TOC business model via online gaming platforms—faster and anonymous movement of money and laundering of proceeds. Underground banking system plays a major role (informal value transfer). TOC groups are constantly moving to an environment where corruption facilitates their ease of businesses, so law enforcement alone is not a solution.

### **Mech Dara**

As an independent journalist, Dara, led coverage on Cambodia's scam-compounds - Phnom Penh and the coastal town of Sihanoukville - looking into notably human trafficking and forced criminality. He has been arrested for covering police removing compound staff in alleged scam centers in Cambodia. He also investigated and covered online Telegram groups being used for trafficking workers, guns, forestry, wildlife across SEA and South Asia. In 2022 there was evidence of US and European citizens flying into Cambodia to work/coordinate scam centers. Indian workers in a Cambodian center protesting as being trafficked but police maintain it is a legal labor issue. Victims who complained are put in immigration detention for spreading "fake news". Escapees stopped at border and arrested for bogus stealing of a

car and other spurious offences so they can be returned to the scam centers. SLAPP suits are used to deter journalists and investigations.

### **Boer Deng**

“Pig-butcher” is used to target well-heeled Mandarin-speaking US citizens who become victims of SEA-based scam centers. Pig butchering is the process of fattening the victims as much as possible before finally scamming them. The process entails establishing long-term trust and intimacy to invest in investment opportunities that are fraud. The grooming process is now very sophisticated, including by the use of AI generated voices and tactics. It is also a very global phenomenon, although many in the US are falling victims to scamming.

Through Prince group investigations by Jack Davies, RFA, reporting, they have seen alleged collusion between a large conglomerate (Prince Group) in Cambodia and TOC groups (e.g. fictitious online gaming platforms to launder money across various jurisdiction)

### **Main outcomes of the session (include quotes/highlights and interesting questions from the floor)**

The panel provided perspectives from the media (US and Cambodia), UNODC, and civil society in Southeast Asia. The main outcome was to paint a picture of the latest status of this issue and breakdown various facilitating elements: corruption, cybercrime and technological development, and SEZs.

### **Key recommendations for the future and concrete follow-up actions**

- Regional cooperation to address various segments of criminality (human trafficking being one of them). UNODC has for instance brought Chinese government together with Mekong countries to develop a roadmap to address this complex phenomenon. This will be tabled at ASEAN SOMTC.
- Support to victims needs to be extended.
- More attention (including from global media outlets) to address this issue. Support journalism to investigate and report on stories on the ground.
- Public awareness can also educate the public on the risk of online scamming.
- Address corruption as a facilitating factor to this phenomenon (including purchasing of nationalities by criminals)
- Establish and strengthen beneficial ownership transparency to help ease follow the money trail.
- Scrutinize and monitor development of SEZs, and raise awareness on the risks of SEZs. SEZs should always be public (not through PPP, or fully privately owned). EU provides good guiding frameworks on SEZs.
- Law enforcement agencies need training on regulation of online gambling platforms and use of digital currencies.
- Better inter-agency cooperation among law enforcement agencies to share information and work together.
- Civil society and journalism such as through the SEA-CAN of CSOs and JAC (Journalists Against Corruption) networks can play a major role in this and need to be part of the solution.
- CSO and media collaboration with law enforcement need to be explored.
- CSO and media require support (e.g. funding).

Questions came from:

**Clancy Moore TI Australia** - what are policy solutions to aid the impact of these SEA centers on Australia?

Rebecca – convince governments that they can act individually. Political pressure will work. Sanctions can work.

Boer – Prince Group founder got started as a hacker; with robust cyber capabilities. Governments can do a lot more on policing cyber governance.

**Carmela Fonbuena – Philippines Center for Investigative Journalism (PCIJ)** – is there an argument for banning POGOs? Are there effective interventions to be made?

Rebecca - Debate in Philippines is between outright banning and effective regulation. Lack of information abounds on benefits of effective regulation and frameworks.

**Malaysia journalist** - how can governments overcome scam crisis?

Boer - More awareness of the dangers of trafficking and being scammed into sophisticated scams is needed. This deters. Tighten up registrations of companies and granting business citizenships; stronger RTI to free up access to information and business records.

Dara - cannot eliminate it, but can reduce it. Empower NGOs and support agencies to undertake professional criminal charges against scam centers and traffickers.

**Kristina Amerhauser, Global Initiative** - Scam centers not just limited to SEZs, how to target border – capital cities?

**Angie Chelala, (AFDAL) Lebanon-based activist** - what are the roles of monitoring online platforms; children are at risk?

Boer – through social media 14 year old kids in Laos are being trafficked by answering attractive social media adverts to work in nearby countries, so there is a government role to put controls on social media;

**Reporter with OCCRP** - are fictitious online games an entry point for online gambling?

Dara - Diplomatic channels not working, so use more back door routes. Eg CSO and private company do criminal charges instead of government having to initiate.

Rebecca - proper mapping needs to be done.

Engaging with Facebook etc has led to fraudulent adverts being taken down.

### **What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?**

- Regional cooperation and consensus building on approaches to prevent and respond.
- Strengthen beneficial ownership transparency and establish standards.
- Educate the public about online scams (both in terms of recruitment, and also fraud)

- Raise awareness and develop understanding on the risk of SEZs so they are taken into account in policy development.

**Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.**

- Talk to each other, build consensus. Use diplomatic channels to pressure each other.
  - Build capacity to develop cyber-space policy, including the use of digital currency
  - Harness the role of civil society and media
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### **Rapporteur's name**

Megumi Hara and John Hyde,  
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### **Date submitted**

18 June 2024

**Action!** This report needs to be emailed to [iacc-av@transparency.org](mailto:iacc-av@transparency.org) within 24 hours of the session. If you wish to update the report, please do so by 21 July. Thank you.