

Chinese Organized Crime in Southeast Asia: Drivers and Activities

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Introduction

Chinese Organized Crime (OC) or Chinese Triads¹, like Japanese Yakuza, is one of the most notorious of the Asian crime organizations, which have survived since the 19th century. Traditionally, Chinese OC operates exclusively within their ethnic groups and in a more hierarchical organizational structure. In these triad organizations, members of the OC groups have to follow precise rules, rituals, oaths, codes of conduct, and chains of command (Lo 2010). Such structural control facilitates the triads to effectively control territories to run illicit activities (Chin and Chin 1990, Lo 1984).

The re-emergence of secret societies and triad-like organized crime in the People's Republic of China (PRC) has arisen in the context of rapid modernization, socio-economic change, and globalization (Broadhurst 2012). Nowadays, the Chinese secret societies are comprised of not only major triad enterprises, such as 14 K and Tiandihui,² but also other countless smaller groups involved in different forms of criminal organizations. These forms are from small street gangs to transnational triads with branches worldwide (Curtis et al. 2003). In the past decades, networks have become a

¹ Triads are one of many branches of Chinese transnational organized crime syndicates based in Chinese societies across the world. Traditionally, triads exclusively refer to certain well-known Chinese OC groups. Nowadays, the term is sometimes used to refer to generic Chinese OC.

² The 14 K and Tiandihui (also called Hongmen) are prominent Chinese criminal organizations from Southern China (Hong Kong and Guangzhou).

more popular organizational form than the traditional hierarchies and contractual relationships in illicit markets (Xia 2008).

In the globalized era, transnational criminals are expanding quickly through the involvement in both legal and illegal businesses. A new breed of entrepreneurs is, therefore, emerging on the fringes of China (Lintner 2014), especially in the Southeast Asian region. Chinese OC is as diversified as the most prominent multinational conglomerate, in which *guanxi* provides a basis for the global criminal activities committed by Chinese people (Williams and Godson 2002).³ Their illicit activities include human trafficking, drug trafficking, arms smuggling, credit card fraud, counterfeiting, software piracy, prostitution, gambling, white-collar crime, cybercrime, and wildlife trafficking.⁴

Drivers for Chinese OC operating in Southeast Asia

There are many facilitating factors for the Chinese OC operating in the region. First, the growing Chinese economy and the increasing Chinese influence have benefited Chinese OC groups to conduct their illicit business in Southeast Asia. China as a consumer of illegal products, e.g., drugs, wildlife products, as a destination country for human trafficking, and through its efforts to improve transport infrastructure and communications, which also facilitates illicit trade (Idris 2019). More importantly, with the Chinese massive Belt and Road Initiative (BRI),⁵ the Chinese government has shifted its focus on infrastructure development and investments in the BRI countries. In Southeast Asia, BRI countries include Indonesia, Laos, Malaysia, and Thailand.⁶ Besides, Southeast Asian countries' economy is also booming in recent years, benefiting the growth of the Chinese-connected black markets in the region: drugs, human trafficking, and wildlife trafficking.⁷

Second, the growth in international transportation has made it easier for Chinese OC to operate. Following the BRI, China has established nearly a thousand direct flight routes with the BRI countries. The Southeast Asian governments also take specific measures

³ "Guanxi" is the network of relationships among various parties that cooperate together and support one another. "Guanxi" facilitates organized crime networks because of the multiplicity of loyal contacts that "guanxi" fosters and maintains. This poses great difficulty in breaching and investigating Chinese organized crime networks (Hart 1998).

⁴ See <http://www.nbcnews.com/id/3071662/t/asian-gangs-are-brothers-crime/#.Xe6S4OhKg2w>

⁵ The Belt and Road Initiative (BRI), adopted by Chinese government in 2013, is a gigantic development strategy involving infrastructure development and investments in 152 countries and international organizations.

⁶ In BRI projects, the India-Myanmar-Thailand Trilateral Highway and the Trans-Asian Railway cover those countries to intending to speed up change and development in transport and commerce.

⁷ See <https://www.npr.org/2018/09/11/645257166/the-shadowlands-of-southeast-asias-illicit-networks-meth-dancing-queens-and-more>

to welcome Chinese investors, people in business, and travelers to visit their countries. In 2018, the top ten most popular routes were Bangkok-Shanghai, Bangkok-Hong Kong, Bangkok-Guangzhou, Manila-Hong Kong, Kuala Lumpur-Shanghai, Singapore-Shanghai, Singapore-Hong Kong, Singapore- Guangzhou, and Phnom Penh-Guangzhou.⁸ Southeast Asian countries, especially those visa-free or visa on arrival countries, are usually the top travel destinations for Chinese travelers. The improvements in international/regional transport infrastructure and the convenience for travel between China and Southeast Asian countries have also paved the way for Chinese OC to conduct illicit trade.

Visa exemption and/or visas on arrival (VOA) for Chinese Citizens ⁹

| | |
|------------------------|---|
| Visa exemption | Indonesia |
| Visas on arrival (VOA) | Thailand, Malaysia, Indonesia, Vietnam, Myanmar, Laos, Cambodia, Brunei |

Source: Ministry of Foreign Affairs, the People’s Republic of China

Third, corruption, the weak rule of law, and lack of good governance in certain Southeast Asian countries serve as important incentives for Chinese OC. According to a United Nations Office on Drugs and Crime (UNODC) report on Southeast Asia, it states that "organized criminal networks penetrate public agencies and private organizations, relying on bribery, conflicts of interest, trading in influence and collusion to facilitate their criminal activities" (UNODC 2019). For Chinese OC, bribery, and corruption is not an uncommon tactic in their criminal activities. There is a so-called “protective umbrella phenomenon” (Zhang and Chin 2008). Criminal syndicates connect with government officials through the offer of a range of interests, such as luxurious gifts, overseas travels, clearing of gambling debt, sex service, and simply bribery, in exchange for protection in legal and illegal business activities. This “protective umbrella” has developed rapidly alongside China’s booming economy (Lo 2010). Consequently, for the most part in Southeast Asia, criminal networks would be able to exist under that umbrella of impunity if they buy protection from law enforcement and become untouchable.¹⁰

⁸ See <https://ttgchina.com/2019/04/25/%E4%B8%AD%E5%9B%BD%E8%B5%B4%E4%B8%80%E5%B8%A6%E4%B8%80%E8%B7%AF%E6%B2%BF%E7%BA%BF%E5%9B%BD%E5%AE%B6%E6%97%85%E6%B8%B8%E4%BA%BA%E6%AC%A1%E5%A2%9E%E9%95%BF%E5%BF%AB%E9%80%9F/>

⁹ See <http://cs.mfa.gov.cn/gyls/lsgz/fwxx/t1185357.shtml>

¹⁰ See <https://www.npr.org/2018/09/11/645257166/the-shadowlands-of-southeast-asias-illicit-networks-meth-dancing-queens-and-more>

Fourth, the tightened Chinese law enforcement measures inside China have pushed Chinese OC to seek opportunities overseas. In recent years, the Chinese government has enhanced its social control and built up advanced technology to assist law enforcement works. For example, the use of artificial intelligence and facial recognition technology in criminal investigations have busted many serious criminal cases and arrested numerous criminals. It is estimated that more than 176 million surveillance cameras are in operation in public and private areas.¹¹ Therefore, tightened law enforcement in China has caused Asian crime gangs to relocate. Under this circumstance, the triads or criminals understand the principle of minimizing the cost and risk and maximizing the benefit. The rationality of choice encompasses all facets of cost, risk, and benefit (Cornish and Clarke, 1986, 1987). In this case, Southeast Asia has favorable geographical proximity and suitable conditions for Chinese OC activities.

Prominent Chinese OC illicit activities in the region

In Southeast Asia, Chinese OC groups are mainly involved in narcotics and human trafficking. Other types of crimes include Counterfeit goods, falsified medicines, and illicit timber trade. In recent years, Chinese cybercrime and telecommunication fraud crimes have become prominent crime types in Southeast Asia. Southeast Asian countries are prone to these types of criminal activity because of weak border controls, low banking transparency, and geographic proximity to a key source of narcotics, traditionally the Golden Triangle (Curtis et al. 2003).¹² Government instability also provides a hospitable environment for Chinese OC to thrive.

Drug trafficking

Southeast Asia is a major hub for narcotics production and drug trafficking. The opium poppy was introduced to the remote mountainous regions of today's northeastern Myanmar by traders from neighboring Yunnan province of China. The opium poppy cultivation was widespread in the mid-18th century (Renard and Warning 1996). However, over the past decade, the illicit drug market in Southeast Asia has changed dramatically. There are steep increases in the manufacture of synthetic drugs (in particular methamphetamine)¹³, and reduced demand for heroin (UNODC 2019). For example, there had been a sharp shift from heroin to meth in the Shan State of Myanmar.

¹¹ See <https://www.scmp.com/tech/start-ups/article/3003686/state-backed-ai-unicorn-has-helped-chinese-police-arrest-10000>

¹² The Golden Triangle is a notorious area for narcotics production. It is located in parts of Burma, Laos, and Thailand.

¹³ The United Nations Office on Drugs and Crime estimates the region's meth market in Southeast Asia to be valued at \$ 61.4 billion annually, more than double the Cambodian economy of \$24 billion (UNODC 2019). Also see <https://www.cdcgamingreports.com/cambodia-and-laos-casinos-targeted-for-drug-trade-money-laundering/>

Myanmar remains the second-largest global producer of heroin, but it has become one of the largest global centers for the production of crystal methamphetamine (or called “meth”) or “ice” (ICG 2019). In addition to providing a stable and secure environment for meth production, these safe havens are also well-located for better transportation and logistics support – either nearby to the Chinese border or near major trade routes (ICG 2019). A significant contributory factor in this shift is the tight enforcement measures taken by Chinese authorities to suppress the drug trade. Tightened law enforcement measures have forced production to move out of the country (ICG 2019, UNODC 2019).

A large majority of the heroin produced in Myanmar is destined for neighboring China, which remains one of the largest illicit heroin markets (UNODC 2019). The Shan State’s economy is closely bound with that of south-west China. The Chinese investment has surged, huge plantations have been set up to serve the Chinese market, and cross-border trade has “skyrocketed” (ICG 2019). Moreover, the improvement in transport infrastructure to accommodate the increased flows has also facilitated illicit trade, including drugs. For example, transnational organized crime actors from China are deeply and intimately involved in Myanmar’s illegal drug, logging, mining and wildlife economy (Felbab-Brown 2017, 3).

Trafficking in women

Trafficking in women is a long-time problem in the region. Operated by cross-border Chinese OC and other Southeast Asian local criminal groups in cooperation with Chinese OC, human trafficking is still a serious issue today. According to UNODC, human trafficking takes place predominantly from less developed countries in the region, including Cambodia, Laos, Myanmar, the Philippines, and Vietnam, to more developed countries such as China. Organized crime groups trafficking people exploit differences in economic development and demand for cheap labor (UNODC 2019).

There are “push and pull” factors in trafficking in women. As for the pull factor, China has a demand for brides, which is an important factor in the trafficking of women. China’s one-child policy (implemented from 1979 to 2015) and the common preference for boys has led to a shortage of women. Consequently, the gender gap among the population aged 15-29 years is increasing. The projections suggest that by 2030, 25% of Chinese men in their 30s will never have married (HRW 2019). This development has created a demand for foreign brides. Due to the shortage of women in China and the difficulties faced by men (especially in rural areas) in finding wives, it has created a huge market for foreign brides. It has led to tens of thousands of Vietnamese women

are being sold as brides to Chinese men (Vuving, 2010). A push factor is that some areas in Myanmar, such as Kachin State and Shan State, are undergoing extended conflicts that have affected people's lives. Many people are living in poor condition and there are fewer opportunities to earn a living. It turns out that many girls are seeking other opportunities in hopes of supporting their families. Human traffickers and smugglers are exploiting these two factors by working with marriage broker companies in China and Southeast Asia.

Counterfeit Products

Southeast Asian countries (in particular, Malaysia, Thailand, and Vietnam) are playing an increasingly important role in the manufacture and repackaging of illicit goods. However, China still has a large share of counterfeit products in the region. In recent years, (UNODC 2019). Chinese OC uses the ordinary channels of commerce to distribute the bogus products; goods with falsely declared contents are often shipped out through regular freight companies. The incentive for producing counterfeit goods is very high due to the constant demand for cheaper products around the world. The producers are specialists in their specific trades and due to such specialization, the triads are unlikely to be involved in these kinds of commercial crime (Lo 2010).

Illicit timber trade

Illicit timber trade is another severe problem in Southeast Asia. Organized crime groups operate at all levels of the supply chain, involving in commercial-scale illegal logging, timber processing, and pulp manufacturing and transporting timber across borders (UNODC 2019). These illicit activities are facilitated by weak governance of forest resources, corruption in timber supply chains, unclear forest tenure, and the region's proximity to consumer markets and timber processing industries in China (UNODC 2019). For timber trade, China is one of the world's largest importers, consumers, and exporters of wood-based products (Wellesley 2014). The role of China in timber trade has been increased markedly because the demand for timber in China doubled over the period 2000-12 to supply both domestic and export markets.¹⁴ Vietnam, in particular, is an important exporter of timber with close links to illicit timber markets in China.¹⁵

Telecom fraud crimes

With the wave of globalization and a booming economy in the Southeast Asia region, the Chinese organized crime groups have also been benefited from it. Currently, Asia

¹⁴ See <https://www.illegal-logging.info/regions/China>

¹⁵ See <https://www.occrp.org/en/daily/10259-unodc-warns-of-rising-role-of-organized-crime-in-southeast-asia>

holds more than half the population of internet users in the world, which means the concern of cybercrime and telecommunication crimes are on the rise (Lin and Nomikos 2018). In recent years, Chinese Telecom fraud crimes operating in Southeast Asia have become a major concern. Chinese OC groups take advantage of the internet and telecommunication system in certain Southeast Asian countries. They may work with local criminals to cheat victims (usually, citizens in China or overseas Chinese).¹⁶ Their tactics include threatening victims, who then transfer money to a “designated safe bank account” offered by the suspects.¹⁷ Only from June to October this year alone, Chinese police have cracked 94,000 cases of telecom fraud and brought back Chinese criminals from different Southeast Asian countries.¹⁸ The above has shown that telecom fraud is still rampant, affecting the whole region.

Conclusion

With the increasing Chinese influence and economic power, Southeast Asian countries are building closer partnerships with China. However, in the underworld, Chinese OC, often in collaboration with local criminals and overseas Chinese criminals, is also benefited from this development. This report has pointed out some key driving forces for the Chinese OC operating in the region based on the cost, risk, and benefit calculation. The author also highlights some major types of transnational crimes associated with Chinese OC. Jeremy Douglas, a UNODC regional representative for Southeast Asia and the Pacific, has warned that “transnational organized crime is an increasingly destabilizing influence in Southeast Asia and a direct challenge to the Sustainable Development Goals embraced by the region” (UNODC 2019). It is hard to deny that, as China is expected to become the world's largest economy, the illicit markets in the region are increasing as well. In particular, the BRI will advance the transportation and infrastructure, and make it more convenient for the flow of people, money, and goods. This development will also benefit the traffickers and smugglers in dark commerce in the region. There will be more opportunities coming for them, and the operation cost would continue to be reduced.

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¹⁶ The common modus operandi is by claiming their personal information has been leaked and their credit cards have been stolen by others, or they are involved in money laundering, drug trafficking or smuggling forbidden items.

¹⁷ See <http://www.chinadaily.com.cn/a/201807/11/WS5b454e7fa3103349141e2019.html>

¹⁸ See <https://www.chinadaily.com.cn/a/201911/04/WS5dbfca54a310cf3e355754cb.html>

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