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China-Myanmar Transnational Criminal Networks and China's Overseas Interests

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SYNOPSIS

Since the easing of COVID-19 restrictions worldwide, increased cross-border trade has emboldened transnational criminal gangs on the China-Myanmar border. How do these transnational criminal networks operate, why do they pose a threat to China's overseas interests and what are some possible implications of China's response?

COMMENTARY

Transnational criminal gangs operating along the China-Myanmar border have targeted Chinese citizens and other nationals, including the Chinese diaspora in Southeast Asia, in a range of illicit operations. These include romance-investment scams, crypto fraud, [remote lottery](#), money laundering and illegal gambling. Operating out of the lawless borderlands north of Myanmar, these networks thrive against the backdrop of Myanmar's political instability, the Tatmadaw's "[four cuts](#)" strategy, and ongoing ethnic armed conflicts in the country's north.



Transnational criminal syndicates involving Chinese and Myanmar citizens thrive in the lawless China-Myanmar borders north of Myanmar. Despite both countries working together to combat the issue, China may need to consider a more delicate solution in order to adhere to its principle of non-interference and avoid becoming entangled in local politics. *Image from Unsplash.*

To protect its overseas interest, the Chinese government has been working to root out these criminal syndicates. Originating in the Hu Jintao era, under the People Liberation Army's historic missions, the protection of China's overseas interests (*haiwai liyi*) has become an integral part of Chinese President Xi Jinping's vision of "holistic national security". Under Xi's Belt and Road Initiative (BRI), which envisions a community of common destiny, Beijing must strike a balance between internal and external threats, traditional and non-traditional. Thus, transnational criminal networks, particularly in BRI host countries, present a clear security challenge to Beijing's overseas interests.

Criminal Enclaves Along China-Myanmar Border

[In Myanmar, authorities have uncovered criminal enclaves](#) in Shwe Kokko, a special economic zone (SEZ) created by the Chinese and the Karen Border Guard Force; [Panghsang](#), the United Wa State Army's administrative centre; and [Monqla](#), controlled by the National Democratic Alliance Army.

[The crackdown on criminal](#) syndicates in other parts of Southeast Asia, such as Laos, Cambodia and the Philippines, has forced [criminal networks to relocate to northern Myanmar](#). Scammers, often [victims](#) themselves, are recruited by ringleaders to work for transnational criminal syndicates. They are often lured under the false promise of legitimate employment, only to find themselves imprisoned and coerced into extorting money from other victims. Scammers are recruited from over 20 countries worldwide, according to [research](#) by the Humanity Research Consultancy (HRC).

Highly [organised and sophisticated](#), scam syndicates recruit and interview workers to work in [call centres](#) in Southeast Asia for fictitious projects. They are then groomed to carry out deception. [Romance frauds](#) involve perpetrators feigning romantic intentions

towards victims, exploiting their emotions, and subsequently gaining their trust to extract money through financial investment scams. Key roles include "lead generators" responsible for identifying potential targets, "chasers" who engage in detailed communication, "operators" handling phone or video interactions, and "brokers" who provide guidance on investments.

Security Implications for China and Myanmar

Beijing has used its influence to shut down big casinos in [Laiza](#) run by Chinese criminal gangs that cater specifically to Chinese gamblers who are unable to [legally](#) gamble in the country. In 2019, Myanmar enacted the Gambling Law, prohibiting foreigners from establishing casinos in the country. To stem the flow of Chinese gamblers across the border to Myanmar, authorities in China's Yunnan province recently announced they will set up a [restricted zone](#) to prevent human trafficking by [telecoms fraud gangs](#) that target Chinese citizens. However, online gambling networks and scams are unlikely to be completely weeded out in the region, given the persistence of criminal enclaves in Southeast Asia.

Human trafficking, drug smuggling, casino gambling and online fraud are now key "pillars" of the local economy in the border region. These lead to social upheaval due to gambling addiction, loss of livelihoods, and population displacement, further worsening the humanitarian crises in the internationally isolated country and placing the country further at risk of becoming a failed state.

Smaller Chinese companies might also be hesitant to invest in Myanmar due to [safety concerns](#) for their employees, hindering Myanmar's ability to attract Chinese investment and reap the benefits of the China-Myanmar Economic Corridor (CMEC) under the BRI.

Looking Ahead

[Chinese border security](#) has been working with Myanmar's law enforcement to combat cross-border online fraud syndicates, resulting in heavy [crackdowns](#). However, a more delicate solution might be necessary, given the complex interplay between various domestic and regional factors: China's non-interference principle; its emphasis on "peace through development"; the deteriorating internal security situation in Myanmar; and domestic political sensitivities. EAGs in the north have regularly [clashed](#) with military forces in their bid for autonomy and control over resources. Capitalising on growing frustration over the military government's governance failures and inaction concerning scam centres, EAGs have [aligned](#) themselves with China's anti-transnational crime efforts to take control of [key areas](#). Recently, Chinese police issued arrest warrants for key military Border Guard Forces (BGF) and Special Administrative Zone (SAZ) officials.

A key driver in protecting China's overseas interest is to safeguard Chinese civilians and economic enterprises in unstable countries where China has a stake. As a responsible power, China must also align the protection of Chinese interests abroad with global interests, including in fragile countries where weak governance and porous borders prove conducive for the flourishing of criminal networks in the Global South, such as Myanmar. Amid the ongoing security crackdown on transnational criminal

syndicates in the region, Beijing risks becoming entangled in local politics. In this regard, China must tread a fine line between conducting joint operations with the relevant law enforcement authorities to stem criminal networks and not aggravate ethnic tensions or further exacerbate the conflict in the borderlands.

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