Transnational Crime and Geopolitical Contestation along the Mekong

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Principal Findings

What's new? Myanmar's Shan State and northern Laos's Bokeo province have become a contiguous zone of vibrant criminality, much of it beyond the reach of state authorities. The Mekong River, which bisects the zone, is also an axis of geopolitical competition, complicating efforts to combat organised crime.

Why does it matter? The sheer size of illicit businesses, which dwarf the legal economies of both Shan State and northern Laos, means that they have an enormous local impact, entrenching corruption, weakening governance institutions and damaging community bonds in both these areas. The effects ripple throughout the region and beyond.

What should be done? Though geopolitical competition between the U.S. and China may get in the way, a coordinated regional approach to addressing criminality should be a top political priority. In addition to intelligence sharing and joint law enforcement operations, interested governments should work together to address underlying governance and socio-economic issues.

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Executive Summary

Myanmar's Shan State and Laos's Bokeo province, which straddle the Mekong River, have emerged as a contiguous zone of vibrant criminality, much of which is beyond the reach of national authorities. Unregulated casinos, money laundering, drug production and trafficking, online scamming operations, and illegal wildlife trade all thrive, entrenching corruption, weakening governance and damaging the bonds that create community. The criminal networks involved have regional – in some cases, global – reach and can rapidly shift from one jurisdiction to another to minimise risks to their operations. A coordinated regional approach is thus vital for tackling them. But geopolitical competition between China and the U.S. complicates coordination. Regional states continue to rely heavily on unilateral criminal justice responses, but collaborative law enforcement is needed, as are multi-state efforts to ameliorate the governance and socio-economic problems that allow these criminal syndicates to prosper. Ideally, these efforts would involve agencies with migration, development and other relevant expertise.

Parts of the Mekong, particularly the 100km section that forms the Myanmar-Lao border, have long been a frontier of unregulated and illicit trade, far from centres of power and commerce. Given its importance as a conduit between China and South East Asia, in recent decades governments have aspired for the Mekong to become a major transport route. But along with physical obstacles – sandbanks, shoals and rapids – insecurity has impeded riverborne trade, most commonly in the form of piracy and extortion of boats plying the route. The situation came to a head in October 2011, when thirteen Chinese merchant mariners were murdered – the deadliest attack on Chinese nationals abroad since World War II. China pinned the blame on Myanmar pirates, whose leader it captured in Laos and executed following a complex extra-territorial police operation. (It later emerged that others may have been primarily responsible.) Beijing then initiated joint gunboat patrols with neighbouring countries, allowing it to project force down the Mekong.

While these actions put an end to piracy on this key stretch of river, they did not deter other forms of crime. Since 2011, the territories on the Myanmar and Lao sides of the Mekong have emerged as hotbeds of illegal activity, from drug production and trafficking to online gambling, money laundering and cyber-scam operations that often use captive workers from around the world. Not only do transnational criminal organisations operating in this zone benefit from lax or non-existent regulations, but they also take advantage of its multi-jurisdictional character, quickly shifting operations from one place to another to evade crackdowns.

Coordinated law enforcement across the region is crucial if governments want any chance of tackling these expanding criminal activities, but other capabilities must also be brought to bear. Authorities in the region need to acknowledge that any solution to this transnational problem will involve government agencies from several jurisdictions – as opposed to the typical security or police approach that treats immediate symptoms, but not the fundamental causes of the problem, including weak governance and rampant corruption, not to mention a willingness or desire of some jurisdictions to court illicit investments.

So far, however, a coordinated response is lacking, in large part due to geopolitical considerations. The Mekong is a locus of big-power rivalry, where longstanding U.S. ties with Thailand and other countries are being tested by China's rising power and regional ambitions. The contestation has greatly limited cooperation between Western governments and China on transnational crime in the Mekong, while making it difficult for other countries to balance their relations with the two.

China is by far the most influential actor and could play a critical role if it chose to. China could adopt a more consistent approach to criminality in the Mekong sub-region, using its influence over regional governments and non-state actors to curtail illicit activities. But Beijing is also guided by strategic considerations, including its inclination to view economic investment, even if it is partly illicit, as something that can help build peace along its borders, and its desire to leverage enclaves in its neighbourhood controlled by pliant entities in order to project its power. It has thus far tended to focus on law enforcement only selectively, responding only when it considers its national interests under direct threat, including with crackdowns on online gambling and efforts to shut down online scam operations across South East Asia. At the same time, it has ignored much of the crime in locations controlled by entities and enterprises friendly to China.

Ideally, the U.S. and China should set aside their geopolitical rivalry when it comes to cooperating on combating transnational crime in the Mekong. Doing so could encourage greater Chinese cooperation with initiatives such as the U.S.-led Global Coalition to Address Synthetic Drug Threats, as well as the Thai operations and intelligence centre on transnational organised crime in the Mekong. Although this scenario is more aspirational than likely, the two powers could also bring about enhanced regional collaboration by focusing on ways in which their respective Mekong cooperation platforms (the Mekong-U.S. partnership and the Lancang-Mekong Cooperation) could support initiatives to tackle the governance and socio-economic factors that allow organised crime to flourish, with programs designed to foster good governance, fight corruption, alleviate poverty and create jobs.

It is equally important to address the human cost of transnational crime. States should provide more assistance to secure the release of, and support, the thousands of people from countries across the world being held against their will and often severely abused in online scam centres where they are forced to carry out criminal activities in Myanmar, Laos and elsewhere in the region. Too often, these people, even if they are rescued or able to escape, are held on immigration offences or charged for the crimes they were forced to commit. A more proactive approach from their embassies in the relevant countries is needed, as is a victim-centred approach from the countries where they were held or fled to.

Reining in the sprawling illegality that has grown along the Mekong will not be easy. But the consequences of permitting the region's illicit businesses to keep booming are too great for governments not to try their best. Better coordination is the place to start.

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I. Introduction

Over the last decade and a half, a vibrant criminal economy has arisen in the Mekong sub-region, based on illegal drug production, unregistered casinos, online gambling and money laundering, and most recently, sophisticated online scamming operations. The tens of billions of dollars in illicit profits have driven criminal syndicates to make huge casino and infrastructure investments, which have flowed into poorly governed jurisdictions with weak regulatory enforcement or into semi-autonomous enclaves beyond the state's reach, particularly in Myanmar. The bribery and other corruption that allows these criminal activities to flourish have further corroded state institutions in the region.

Two areas have emerged as hotspots: Laos's Bokeo province, home to the Golden Triangle Special Economic Zone, and Myanmar's Shan State, particularly the district to the east of the Salween River bordering China, Laos and Thailand, known in British colonial times as Trans-Salween (see the map in Appendix B). Together, these form a transnational zone of criminality straddling the geopolitically important Mekong River. The 2021 coup in Myanmar has unleashed centrifugal forces that have eroded Naypyitaw's influence over trans-Salween Shan State. Non-state armed groups have subsequently tightened their grip in the area, resulting in a surge of illicit activity.

This report examines the political and economic dynamics at play and the associated security and governance risks. It also explores the geopolitical context, looking in particular at how insecurity and piracy along this stretch of the Mekong has prompted extraterritorial Chinese projection of force downstream, at the same time that the U.S. is increasing its security cooperation with Thailand just to the south. The report is based on Crisis Group field research, including trips to Thailand in April and November 2022 and February 2023, as well as to northern Thailand and Laos's Bokeo province in March 2023. Interviews were conducted with a wide range of interlocutors, including police, anti-narcotics officials and representatives of foreign law enforcement agencies, as well as analysts and journalists. The majority of interviewees were men, reflecting the make-up of law enforcement agencies in these countries; the cohorts of analysts, journalists and residents were more gender-balanced. Research in Myanmar was conducted remotely, facilitated by Crisis Group's longstanding relationships with key sources in the country.

II. Political Economy and Geopolitics of the Golden Triangle

A. *Commerce, Connectivity and Crime*

The Mekong River, which flows almost 5,000km from the Tibetan plateau to the delta in southern Vietnam, is the third-longest river in Asia and a key trade route between China and South East Asia.[1] The 100km section of the river linking China to the Golden Triangle – where Myanmar, Laos and Thailand meet – has for decades been a zone of unregulated and illicit commerce (see map in Appendix B).

Located at the junction of different kingdoms and principalities, the Golden Triangle was historically a locus of trade and migration.[2] But its distance from key commercial and political centres also meant it was little controlled or taxed. From the late eighteenth to the early twentieth centuries, opium cultivation expanded in the region, and in remote areas opium resin became a key means of exchange.[3]

After World War II came to an end, conflict persisted in the Golden Triangle. Fleeing Mao Zedong's communist army, the Chinese nationalist Kuomintang armed forces occupied parts of Myanmar's Shan State, while communist insurgencies in Laos and Thailand set up bases in the area. Opium was a convenient cash crop for farmers in conflict-affected areas, and the opium trade helped fund the various armed groups operating in the region. The Kuomintang became particularly prominent in the trade. By the 1970s, the Golden Triangle was the largest source of illicit opium in the world, before declining significantly in the 1990s as a result of opium cultivation bans and a drug market shift to methamphetamines.[4]

The Mekong, as both a natural border and a conduit, played an important role in the opium and other illicit trades, as well as in licit sub-regional business. China and other countries had ambitious plans to make the Mekong into a major licit trade route. In recent decades, trade volumes have increased, but the many rapids, sandbanks and rocky shoals along the river's course from China to the Golden Triangle – as well as the threat of ambush by insurgents and criminal gangs – have kept it from becoming the transport corridor Asian strategists hoped it would be.[5]

B. *The 2011 Naw Kham Incident*

The most serious security incident on the Mekong in recent decades occurred on 5 October 2011, when thirteen Chinese merchant mariners were killed execution-style and their bodies thrown overboard from the two cargo barges they were crewing. The killings took place on the stretch of river passing through the Golden Triangle, just inside

[1] See Mekong River Commission website.
[2] Andrew Walker, *The Legend of the Golden Boat: Regulation, Trade and Traders in the Borderlands of Laos, Thailand, China and Burma* (Honolulu, 1999).
[3] "Withdrawal Symptoms in the Golden Triangle: A Drugs Market in Disarray", Transnational Institute, 2009.
[4] Ibid. See also Crisis Group Asia Report N°299, *Fire and Ice: Conflict and Drugs in Myanmar's Shan State*, 8 January 2019.
[5] Walker, *The Legend of the Golden Boat*, op. cit., p. 19.

Thai waters.[6] It was the deadliest attack on Chinese nationals abroad since World War II, eliciting a furious response from Beijing. For the first time, China sent gunboats down the Mekong, beyond its own territory – patrols that it subsequently made regular.[7]

Thailand's elite Pha Muang anti-narcotics unit stated that it had seized a large quantity of drugs in a raid on the barges, during which it claimed to have engaged in a shootout with heavily armed smugglers; it alleged that these men had then fled upriver in speedboats, leaving one barge's captain dead in the wheelhouse.[8] Over the following days, locals found the bodies of twelve more of the Chinese crew, most of whom had been bound, gagged and shot at close range, floating in different locations just downstream. The Thai authorities immediately blamed the murders on a criminal gang from Myanmar led by a notorious but elusive Shan warlord named Naw Kham, who as discussed below had been responsible for previous acts of piracy and kidnapping on the Mekong.[9]

Chinese authorities put considerable pressure on Thailand, Myanmar and Laos to cooperate closely with the director of the Chinese Ministry of Public Security's anti-drug bureau, who was heading the task force investigating the killings.[10] Beijing reportedly secured agreement from these countries that its task force could pursue and apprehend suspects in their territory, as well as for joint patrols along a 337km section of river.[11] After failed attempts to capture Naw Kham in Laos and then in Myanmar's Shan State, he and several members of his gang were finally caught in April 2012, in a boat anchored along the Mekong in Laos, near the port of Ban Mom.[12] Lao authorities extradited them to China, where they were tried for killing the Chinese sailors. Naw Kham maintained his innocence, but he was found guilty and executed with three accomplices in March 2013; his final moments were broadcast live on state television.[13]

The investigation had revealed some inconvenient facts, however. The initial claims by Thailand's Pha Muang unit about its raid on the barges were inconsistent with witness testimony. In a shocking twist, Thai and Chinese investigators concluded that it was actually members of the law enforcement unit who had likely shot the sailors, allegedly in coordination with Naw Kham's gang.[14] A month after the killings, Thai authorities announced that they had arrested nine Pha Muang soldiers, including two commissioned officers, for murdering the merchant mariners, dumping the bodies and tampering with evidence.[15] The soldiers subsequently "disappeared from the jus-

[6] Jeff Howe, "Murder on the Mekong", *Atavist Magazine*, October 2013.
[7] Andrew R.C. Marshall, "In Mekong, Chinese murders and bloody diplomacy", Reuters, 27 January 2012; "Laos extradites suspect to China in Mekong massacre case", Reuters, 10 May 2012.
[8] Howe, "Murder on the Mekong", op. cit.; "Chinese helped nab drug smugglers", *Bangkok Post*, 7 October 2011; and "Whitewash at Chiang Saen", *Bangkok Post*, 2 October 2016.
[9] Ibid. See also "Mekong murder has hallmarks of Naw Kham", *The Irrawaddy*, 13 October 2011.
[10] "Manhunt for deadly drug kingpin", *Global Times*, 19 February 2013.
[11] Howe, "Murder on the Mekong", op. cit.; and "Four-nation joint patrol protects Mekong river", *China Daily*, 18 December 2021.
[12] Ibid.
[13] "Naw Kham executed for sailor killings", *Bangkok Post*, 2 March 2013.
[14] Howe, "Murder on the Mekong", op. cit.; "Whitewash at Chiang Saen", op. cit.
[15] "Whitewash at Chiang Saen", op. cit.; "Thai soldiers detained over Mekong River killings", BBC News, 29 October 2011; "Mekong River trial murder mystery", BBC News, 21 September 2012.

tice system" according to the *Bangkok Post*, and there is no record of them ever being charged or convicted.[16]

In Naw Kham's Chinese trial, prosecutors claimed that the soldiers were a rogue unit on the gang's payroll, though without providing evidence in court.[17] Some experts on the Golden Triangle drug trade have suggested that the killings were a false flag operation by unknown persons intended to frame Naw Kham – and more broadly, to present Mekong security issues as stemming from lawlessness in Myanmar – noting that he would have been unlikely to order the murders given that they were certain to trigger massive retribution from China (discussed further in Section III.A below).[18]

C. *Security Cooperation and Geostrategic Rivalry*

The killings brought a much more assertive Chinese security posture on the Mekong. Several factors were at play: domestic pressure to safeguard the lives of Chinese citizens overseas; the growing importance of the licit Mekong trade, which had tripled in volume between 2004 and 2011; and concern about the far greater illicit trade flows, particularly drugs. The Mekong's geopolitical importance, which Beijing views as part of its neighbourhood but where the U.S. has longstanding security cooperation and development programming, was a fourth element.[19]

Beyond the operation to capture Naw Kham itself, the most visible aspect of this new posture is what Beijing presents as "joint river patrols" by the four riparian states – China, Laos, Myanmar and Thailand – to which it secured agreement in December 2011 (see Section II.B above).[20] Chinese gunboats – which bear police markings but carry military-grade firepower – form the backbone of these monthly patrols. A Lao boat accompanies them for the final few kilometres from Ban Mom (160km downstream from the Chinese border) to the Thai-Lao-Myanmar trijunction; a Myanmar boat occasionally also joins.[21] The vessels that Laos and Myanmar use are old patrol boats donated by China.[22] Thailand, on the other hand, has never agreed to these patrols entering its waters, so in practice the joint China-Lao-Myanmar patrols stop at its border near Sop Ruak.[23]

[16] "Whitewash at Chiang Saen", op. cit.; "In Mekong, Chinese murders and bloody diplomacy", op. cit.
[17] Howe, "Murder on the Mekong", op. cit.; and "Laos extradites suspect to China in Mekong massacre case", Reuters, 10 May 2012.
[18] Crisis Group interviews, regional experts, Thailand, November 2022 and February-March 2023. See also Howe, "Murder on the Mekong", op. cit.
[19] Crisis Group interviews, regional experts, Thailand, November 2022 and February-March 2023. By 2011, licit trade volumes had reached 300,000 tonnes annually, mostly agricultural products, worth about $450 million; illicit flows were valued in the billions of dollars. See Howe, "Murder on the Mekong", op. cit.; "In Mekong, Chinese murders and bloody diplomacy", op. cit.; and "Led by China, Mekong nations take on Golden Triangle narco-empire", Reuters, 16 March 2016.
[20] Howe, "Murder on the Mekong", op. cit.; and "Four-nation joint patrol protects Mekong River", *China Daily*, 18 December 2021.
[21] Crisis Group interviews, regional experts, Thailand, November 2022 and February-March 2023; Thai businessperson with detailed knowledge of the security situation on the upper Mekong, March 2023; journalist, Chiang Saen, Thailand, March 2023.
[22] Ibid.
[23] Ibid.

The patrols quickly achieved their immediate security objective, ending piracy on this part of the Mekong, but they had little impact on other criminal activities such as drug smuggling (see Section III).[24] Western security experts who spoke to Crisis Group have presented this situation as Laos "laundering a Chinese presence" on the river, allowing Beijing to extend its reach far beyond its borders; they also suggested that, for China, the patrols are a "signal of its capability and intent, which could be rapidly stepped up if needed".[25]

Such comments reflect the geopolitical sensitivity of the Mekong, where a more powerful and assertive China is increasingly challenging long-term U.S. security interests (discussed further in Section V).

[24] Crisis Group interview, Thai businessperson with detailed knowledge of the security situation on Golden Triangle section of the Mekong, March 2023. See also "Led by China, Mekong nations take on Golden Triangle narco-empire", op. cit.

[25] Crisis Group interviews, Western security experts and journalist, Thailand, November 2022 and February-March 2023.

III. **Laos's Golden Triangle Special Economic Zone**

A. *An Emerging Hub of Illicit Activity*

Along with the growth in legal trade on the Mekong over the last two decades, and despite the suppression of piracy, there has been an even more rapid surge in illicit economies, including drug smuggling, gambling and associated criminal activities. The sprawling Golden Triangle Special Economic Zone (SEZ) in Laos's Bokeo province, which includes the Kings Romans casino, has emerged as a hub for these (see the map in Appendix B). In January 2018, the U.S. Treasury Department sanctioned the casino for "drug trafficking, money laundering, bribery, and human and wildlife trafficking" it was alleged to be facilitating.[26] A leading business intelligence analyst has since called the development "the world's worst special economic zone".[27]

Located on the banks of the Mekong, just across from Thailand, the SEZ is operated on a 99-year lease held by Kings Romans Group (also known as Dok Ngiew Kham Group), a Hong Kong-registered company founded by Chinese national Zhao Wei, who is the SEZ's chairman. The Lao government also has an equity stake in the SEZ.[28] Construction began in 2007, and while the investment promotion materials promised an ambitious manufacturing, agribusiness and tourism development, the Kings Romans casino was the first venture to be built.[29] The SEZ covers an area of 10,000 hectares, of which 7,000 are forested hills and a nature reserve; the urban development area takes up 1,000 of the remaining 3,000 hectares.[30]

A veteran of Macao's casino industry, Zhao Wei made his name (and likely his fortune) running casinos in Myanmar's ethnic armed group-controlled town of Mongla on the Chinese border from 2001, catering to Chinese getting around Beijing's ban on domestic gambling.[31] In 2005, China closed the crossing into Mongla and cut off the town's electricity supply after such a casino held several Chinese citizens for ransom for non-payment of debts, amid claims that Chinese provincial officials had also been gambling there with state funds.[32] Deprived of clients, the casinos closed down,

[26] "Treasury sanctions the Zhao Wei Transnational Criminal Organization", press release, U.S. Department of the Treasury, 30 January 2018. See also "U.S. slaps sanctions on Laos Golden Triangle 'casino' in bid to break up narco-empire", Reuters, 31 January 2018.

[27] Thibault Serlet, "Golden Triangle: The world's worst special economic zone", *Investment Monitor*, 28 March 2022.

[28] This stake was initially reported to be 20 per cent, but some sources say it rose in 2010 when the government upgraded the development to SEZ status and allotted it further land. Others say it was increased by 10 per cent when Laos gave Zhao Wei approval to build an international airport in the SEZ several years ago (discussed further in Section III.B below). Crisis Group interviews, Western and regional security officials and transnational crime experts, November-December 2022 and February-March 2023. See also "Dok Ngiew Kham Group pays US$6.3m in taxes", *Vientiane Times*, 4 February 2015.

[29] "Investment Promotion Manual of the Golden Triangle Special Economic Zone" published by the SEZ's "Management Committee" (undated); see also Howe, "Murder on the Mekong", op. cit.

[30] "Record of 16-year development achievements of Laos Golden Triangle Special Economic Zone, 2007-2023", Management Office, 2023, p. 2.

[31] "Sin City: Illegal Wildlife Trade in Laos' Golden Triangle Special Economic Zone", Environmental Investigation Agency, March 2015.

[32] 美國之音，"被美國财政部制裁的趙偉到底做了什麼?", 5 February 2018. See also "No one hurt in bomb blast in Wa capital", Shan Herald Agency for News, 14 July 2005; "High stakes as Laos turns to casinos", *South China Morning Post*, 23 January 2011; "Sin City", op. cit.

likely prompting Zhao Wei's move to Laos. In 2018, U.S. sanctions named Zhao Wei as the head of a Transnational Criminal Organization.[33] In China, however, he is regularly interviewed in state media, which hails his rags-to-riches story; the SEZ itself is portrayed as a development achievement.[34]

Authorities have alleged that the Kings Romans casino engages in money laundering, drug smuggling and other illegal activities. Thailand claimed the casino was the intended destination for the drugs found on the barges at the centre of the October 2011 murders of Chinese sailors (see Section II.B above), and the month before that, a joint Lao-Chinese law enforcement operation found a large haul of methamphetamines (known as yaba) on casino grounds.[35]

The emergence of Kings Romans as a centre of illicit activity likely represented unwelcome competition for Naw Kham, who was the biggest smuggler on the Mekong at the time.[36] In April 2011, Naw Kham's henchmen seized a casino boat and held the nineteen passengers and crew hostage until Zhao Wei paid a reported $750,000 ransom, which Naw Kham reportedly described as a "protection fee".[37] Thus, whatever the truth of the October 2011 killings, Kings Romans was a clear beneficiary in the aftermath: Naw Kham's capture rid the casino of its main rival in illegal trade, and Chinese-led river patrols improved security a great deal in the SEZ. China also made out well. Naw Kham's protection racket was an impediment to Chinese trade down the Mekong, and though it is a private entity, the SEZ has close ties to China (as evidenced by the treatment Zhao Wei receives in the Chinese press). Bejing can use it to project Chinese power in a geopolitically important area.

B. *Expansion of the Special Economic Zone*

Over the last decade, the SEZ has expanded significantly. On a two-day visit in March, Crisis Group witnessed a city-scale development, featuring more than twenty hotels, dozens of high-rise office buildings, schools and hospitals, water treatment and sanitation facilities, and an international airport nearing completion. The lingua franca in the enclave is Chinese, as is most signage, and nearly all goods and services must be paid for in Chinese yuan rather than Lao kip. Interviews with residents, as well officials in the region, indicated that SEZ authorities have sole de facto jurisdiction, with law enforcement handled by a "public security bureau" – a private police force operated by the SEZ, modelled on China's units of the same name.[38] Lao police and other authorities reportedly need permission from the SEZ to enter.[39]

[33] "Treasury sanctions the Zhao Wei Transnational Criminal Organization", op. cit.

[34] Crisis Group interview, regional expert, Thailand, February 2023. See also 中通社，"借我一片土地 还您一座城市:老挝金三角特区管委会主席赵伟访谈", 22 February 2023.; and 环球人物,"赵伟，"一带一路"最符合海外华人需求", 7 March 2016.

[35] "In Mekong, Chinese murders and bloody diplomacy", op. cit.

[36] Crisis Group interview, expert on Golden Triangle narcotics trade, Thailand, February 2023. See also Howe, "Murder on the Mekong", op. cit.

[37] "Shan godfather releases Chinese abductees", Shan Herald Agency for News, 11 April 2011; and "In Mekong, Chinese murders and bloody diplomacy", op. cit.

[38] Crisis Group interviews, Chinese and Myanmar residents, Golden Triangle SEZ, March 2023; Crisis Group interviews, regional law enforcement officials, Thailand, November 2022 and February

The Kings Romans Group, which runs the casino as well as a number of other projects in the zone, also leases land and commercial and residential property to other businesses and individuals. Residents told Crisis Group that 70,000 Chinese nationals live and work in the zone, although many had left during the COVID-19 pandemic and were returning gradually; there are also several thousand professional workers from other countries, and many thousands of semi-skilled and unskilled workers, the majority from Myanmar.[40] SEZ authorities claim that infrastructure and services are expanding beyond their current 100,000-resident capacity to accommodate 300,000 (a population 50 per cent larger than that of Chiang Rai, a nearby Thai city), as well as two million tourists annually, which is what the airport can handle.[41] The Kings Romans Group claims to have invested $2 billion in the SEZ, the equivalent of more than 10 per cent of Lao GDP.[42]

The airport is particularly important for the SEZ's future, as it will allow visitors, particularly those from mainland China, to fly in directly, thereby bypassing other jurisdictions. The nearest major airport at present is in Chiang Rai – a 61km drive across the Thai-Lao border. Other gambling centres are more conveniently located for mainland Chinese visitors, particularly the string of more than a dozen casinos in Myanmar's south-eastern Myawaddy township, including the massive Shwe Kokko development, which are located a few kilometres from Thailand's Mae Sot airport, and can be reached via informal border crossings with no Thai or Myanmar immigration procedures.[43] The new airport will make the Golden Triangle at least as handy.

At first, the builders planned to put the airport inside the SEZ, but the Golden Triangle's proximity to Thai and Myanmar airspace precluded that option, so Zhao Wei instead reached agreement with Laos on a joint venture at the site of an existing airstrip at Tonpheung, a 5km drive from the SEZ along a recently completed four-lane highway.[44] When Crisis Group visited in March, construction of the terminal appeared

2023. See also "Lao authorities seem powerless to stop crime in Golden Triangle economic zone", Radio Free Asia, 25 November 2022.

[39] Ibid.

[40] Crisis Group interviews, Chinese and Myanmar residents, Golden Triangle SEZ, March 2023. Numerous advertisements on Chinese social media platforms such as WeChat and Weibo for jobs in the SEZ offer monthly salaries of 6,000 to 15,000 yuan for a range of occupations including technicians, skilled farm workers, veterinarians, marketing officers and human resources managers. See, for example, 老挝资讯网, "金木棉集团招聘公告, 大批岗位, 等你来选!", 22 December 2022; and 昆明招聘汇, "金木棉集团有限公司招聘, 月薪6-8K, 包住宿, 出国机会", 17 February 2022.

[41] "Record of 16-year development achievements of Laos Golden Triangle Special Economic Zone, 2007-2023", op. cit., p. 3, 14.

[42] SEZ official WeChat group, cited in "Is an alleged drug kingpin from China investing millions in a port in Laos?", CNN, 7 December 2020; and research by the UN Office of Drugs and Crime shared with Crisis Group. See also World Bank data.

[43] Crisis Group Asia Report N°305, *Commerce and Conflict: Navigating Myanmar's China Relationship*, 30 March 2020, Section IV.C.

[44] Crisis Group interviews, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023. See also "Investment Promotion Manual of the Golden Triangle Special Economic Zone", op. cit.; "Laos opens Bokeo international airport road for Golden Triangle zone", *Vientiane Times*, 8 July 2022.

nearly finished, ahead of its slated mid-2023 opening. The first test flight to the airport was completed in December 2021, with some domestic flights taking place in 2022.[45]

The SEZ is also planning to establish a significant port facility on the Mekong. In 2020, a Kings Romans Group subsidiary reportedly paid the Lao government $50 million for a majority stake in a port development project at Ban Mom, a few kilometres upriver from the SEZ.[46] When completed, the port development – which covers an area of more than 2,000 hectares, twice the size of the SEZ's main development area – will include hotels, office buildings and large warehouses. It is to handle cargo coming into the SEZ. Law enforcement officials have expressed concern about the development, given that the SEZ is a known storage and trans-shipment point for drugs and other illicit goods.[47] This new infrastructure could attract many more people to Bokeo province outside the SEZ. Chinese residents of the SEZ are already beginning to move to nearby towns, where rents are lower.[48] It could also enable significant new criminal activity in the province.

When Crisis Group visited the SEZ, it was clear that the zone was rebounding quickly post-COVID. New construction included a golf resort, a Venice-inspired "water street" and a major land reclamation project on the Mekong riverfront, which, according to signage and interviews, was for hotel and restaurant development.[49] Crisis Group also found evidence of illegal activities in the SEZ, including:

- *The operation of scam centres*. As reported elsewhere and corroborated by Crisis Group interviews with participants and others with direct knowledge, these centres are run mostly by ethnic Chinese criminal gangs who pay or trick young men and women from China, Malaysia, Thailand and South Asia, and as far away as Nigeria, Brazil and the Republic of Georgia, to work on sophisticated operations targeting victims around the world online with fake investments, sham romances and other such scams.[50] Locals identified several buildings where they said scam centres operate or previously did, some of which were being refurbished. These locations did not have window bars or other obvious security, reportedly because the workers were employed willingly and were paid, which locals and experts said was the most common arrangement.[51] That said, Crisis Group identified a suspicious compound

[45] Ibid. See also "Record of 16-year development achievements of Laos Golden Triangle Special Economic Zone, 2007-2023", op. cit., p. 14; "Golden Triangle airport opens this year", *TTR Weekly*, 21 March 2023.

[46] "Chinese casino kingpin behind new Mekong port to serve Golden Triangle SEZ in Laos", Radio Free Asia, 7 October 2020; and research by the UN Office of Drugs and Crime shared with Crisis Group. The name of the subsidiary is Osiano Trading.

[47] Ibid.

[48] Crisis Group interviews, residents, Golden Triangle SEZ, March 2023.

[49] Crisis Group observations, Golden Triangle SEZ, March 2023; Crisis Group interviews, residents, Golden Triangle SEZ, March 2023.

[50] Crisis Group interviews, diplomats, police, regional crime experts, relatives of scam workers and others with direct knowledge, Golden Triangle SEZ and Thailand, March 2023. See also "China needs to pressure Myanmar over scam gang crisis, Malaysian group says", *South China Morning Post*, 17 October 2022; and "Asia's scamdemic: How COVID-19 supercharged online crime", *Nikkei Asia*, 16 November 2022.

[51] Crisis Group interviews, residents, Golden Triangle SEZ, March 2023; Crisis Group interviews, diplomats, police, regional crime experts, relatives of scam workers and others with direct knowledge,

in the central part of the SEZ, consisting of four high-rise buildings with bars on the windows and strict perimeter security (high fences, razor wire, spotlights). The sole entrance was under 24-hour guard, and exiting vehicles were searched. Locals told Crisis Group that people from China and some other countries were locked up and forced to work as scammers in the compound.[52]

- *Money laundering*. As stated in the U.S. Treasury sanctions designation and as experts told Crisis Group, significant money laundering takes place in the Golden Triangle SEZ, in particular at the Kings Romans Casino.[53] Crisis Group witnessed multiple separate million-dollar cash transactions at the cashier's desk on the gaming floor of Kings Romans casino, with the bills (in bundles of 100-yuan notes) transported in plastic shopping bags or holdalls.[54] In addition to in-person gambling, online casino operations represent another opportunity for money laundering, although the Lao authorities have attempted to crack down on such operations at China's behest.[55] Organised crime experts have also identified major construction projects in the SEZ (see above) as potential channels for money laundering.[56]
- *Wildlife crime*. Crisis Group identified what an employee said was a bear and tiger farm, ie, a facility for breeding these protected species for the purpose of wildlife trafficking. While marked as a "zoo" on a map displayed in the SEZ, the employee prevented Crisis Group staff from entering the compound, stating that it was not open to the public, but confirming that the site held "many" bears and tigers, which were bred there. The employee declined to call the owner or manager, saying he was instructed not to give out their contact details. The Environmental Investigation Agency, an NGO, named this same location as an illegal tiger and bear farm and abattoir.[57] Other sources said the Kings Romans Group has obtained a zoo licence

Thailand, February-March 2023. The distinction between forced and free labour in these centres is often blurred. For example, workers may work willingly at first, but later find themselves forced to continue; conversely, not all trafficked workers are kept in confinement. See "Guidance on responding to victims in forced scam labour", Humanity Research Consultancy, April 2023.

[52] Crisis Group interviews, residents, Golden Triangle SEZ, March 2023. These people indicated that they had formed this view by observing the compound's operations from outside; through making occasional visits inside the compound to provide services; and through conversations with security personnel working in the compound. SEZ authorities did not respond to Crisis Group's attempts to contact them or the building's owners.

[53] Crisis Group interviews, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023. See also "Treasury sanctions the Zhao Wei Transnational Criminal Organization", op. cit.; as well as research by the UN Office of Drugs and Crime shared with Crisis Group.

[54] Crisis Group observations, Golden Triangle SEZ, March 2023. At the time of the visit, the Kings Romans casino building was closed for long-term renovations, and casino operations had moved to the entrance level of the adjacent high-rise five-star hotel, the Kapok Star. SEZ authorities did not respond to Crisis Group's attempts to contact them.

[55] Crisis Group interviews, residents, Golden Triangle SEZ, March 2023; regional crime experts, Thailand, February 2023.

[56] Research by the UN Office of Drugs and Crime shared with Crisis Group.

[57] "Footage reveals criminal-run tiger 'farms' in Laos have actually been expanded, not shut down", Environmental Investigation Agency, 8 March 2022; and "Sin City", op. cit. Some people consume tiger meat or tiger bone wine for the alleged health benefits or simply for bragging rights. SEZ authorities did not respond to Crisis Group's attempts to contact them.

from the Lao authorities to avoid a 2018 government ban on tiger farms.[58] Crisis Group also spotted bottles of tiger bone wine on sale in the SEZ, which the vendor said was locally produced.[59] Previously, caged bears and tigers had been on display for visitors in the compound of the Kings Romans casino, but these were moved to the new "zoo" location around five years ago.[60]

In addition, a Lao women's rights organisation has claimed that there is widespread human trafficking not only of scam centre workers, but also of young women for sexual exploitation in entertainment establishments in the SEZ, and that some scam centre workers are forced into prostitution if they are unable to perform well as scammers.[61]

There is, however, evidence that the SEZ authorities are becoming more cautious about overt illegal activities. Examples include the removal of protected species from cages near the Kings Romans casino following the 2018 Lao ban on tiger farms, as well as a crackdown on online casinos (see above). More recently, authorities have shuttered several scam operations, particularly those using enslaved workers. This action followed pressure on SEZ management from the Lao government, and pressure on both from Beijing, as the plight of trafficked workers from numerous countries has become a prominent diplomatic issue in the region.[62] As a result, many of the scam centres, as well as online gambling operations, are relocating to Myanmar, in particular Tachileik in Shan State as well as Shwe Kokko and other spots close to Myawaddy in Kayin State.[63]

This shift is not limited to the Golden Triangle SEZ: other such casino and crime zones are located in Cambodia, Laos, the Philippines and Vietnam, and some of these have also started to relocate to Myanmar in response to increased pressure from local authorities, at China's behest.[64]

There is also evidence that scam operations are quickly evolving, with increased professionalism and technical sophistication, while reports of human trafficking and forced criminality in this sector continue.[65] Interpol issued a global warning on scam centres in the Mekong sub-region on 7 June, noting that their rapid spread represents a "serious and imminent threat" to public safety.[66]

[58] Ibid.; and research by the UN Office of Drugs and Crime shared with Crisis Group.
[59] Crisis Group interview, shop owner selling tiger bone wine, Golden Triangle SEZ, March 2023.
[60] Crisis Group interview, journalist with knowledge of the matter, April 2023.
[61] "Hundreds of Lao women trapped in Chinese-run SEZ, unable to pay off debt", Radio Free Asia, 8 March 2022.
[62] Crisis Group interviews, regional crime experts, Thailand, February 2023. See also "Laos rescues 11 Indian nationals trafficked to work as phone scammers", Radio Free Asia, 3 November 2022; "Rights groups: 700 Malaysians trapped in abusive Laos scam centers", Voice of America, 10 October 2022. At hotels and other locations around the SEZ, Lao police posters are displayed, declaring that all acts of human trafficking, torture and exploitation are banned. The posters also said all illegal weapons and electric shock devices were to be handed over to the police during a grace period from 5 to 31 December 2022.
[63] Crisis Group interviews, residents, Golden Triangle SEZ, March 2023; regional crime experts, Thailand, February 2023.
[64] Crisis Group interviews, regional crime experts, Thailand, February 2023; and research by the UN Office of Drugs and Crime shared with Crisis Group. See also "Asia's scamdemic", op. cit.
[65] Ibid.
[66] "INTERPOL issues global warning on human trafficking-fuelled fraud", Interpol, 7 June 2023.

IV. Myanmar's Trans-Salween Shan State

A. *Armed Groups and the Illicit Political Economy*

The theatre of decades of conflict between the Myanmar military and ethnic armed groups, Myanmar's Shan State has long been the epicentre of illicit activities in the Mekong sub-region. It is one of the largest global production centres of crystal methamphetamine, as well as amphetamine tablets and heroin – a drug trade so large and profitable that it dwarfs the state's formal economy. Drugs lie at the heart of Shan State's political economy, fuelling both criminality and conflict.[67] Shan State is also home to at least 60 casinos, most of which are unregulated and therefore hotspots for money laundering and other crimes, according to the Financial Action Task Force, the international watchdog in charge of tackling money laundering and terrorist financing.[68]

Both casinos and drug production facilities tend to be located in parts of Shan State held by militias and other paramilitary units allied with the Myanmar military, as well as in enclaves controlled by non-state armed groups.[69] Casinos are mostly aimed at Chinese gamblers, so have generally been situated close to the Chinese frontier – particularly in and around Laukkaing and Mongla.[70] In recent years, however, China has increasingly cracked down on casinos and online gambling operations sitting along its borders. As a result, these businesses have moved farther afield, including to the Golden Triangle SEZ in Laos (see Section III.B above) and to the nearby town of Tachileik in Shan State, next to Thailand, which hosts more than a dozen casinos.[71] (They have also moved to the area around Myawaddy in Kayin State, where Shwe Kokko is located.[72])

These illicit businesses require a kind of predictable insecurity. Areas controlled by militias or non-state armed groups that have ceasefire deals with the Myanmar military are ideal from their perspective, as they allow both casinos and drug production and storage facilities to remain beyond the reach of law enforcement, while keeping the significant investments safe.[73] Criminals also need good transport links to China – the source of most of the precursor chemicals used to produce the drugs and the place where most of the gamblers come from.[74] Some parts of Shan State meet these requirements well.

[67] The total size of the Mekong sub-region drug trade was estimated to be more than $40 billion in 2018. See Crisis Group Report, *Fire and Ice*, op. cit.

[68] Research by the UN Office of Drugs and Crime shared with Crisis Group; and Asia/Pacific Group on Money Laundering, "Anti-money laundering and counter-terrorist financing measures: Myanmar", Mutual Evaluation Report, September 2018.

[69] Crisis Group Report, *Fire and Ice*, op. cit.

[70] Research by the UN Office of Drugs and Crime shared with Crisis Group.

[71] Crisis Group interviews, regional crime experts, Thailand, February 2023. Research by the UN Office of Drugs and Crime shared with Crisis Group.

[72] Crisis Group Report, *Commerce and Conflict*, op. cit., Section IV.C.

[73] Areas that have seen active armed conflict between the Myanmar military and ethnic armed groups such as the Kachin Independence Organisation or Ta'ang National Liberation Army are less well suited to such illicit business.

[74] While China remains the main source of precursor chemicals, evidence suggests that drug producers are starting to get significant quantities from India as well. See "Synthetic Drugs in South and Southeast Asia: Latest Developments and Challenges", UN Office on Drugs and Crime, June 2023.

The first are areas under the control of Border Guard Forces (such as BGF1006 in the Kokang region on the Chinese border and BGF1009 in Tachileik on the Thai frontier) and other militias allied with the Myanmar army.[75] Some of these groups are large, well-armed and involved in a range of licit and illicit businesses. In return for carrying out security duties in their areas (essentially, preventing the emergence or incursion of anti-government armed groups), and at times fighting alongside the military, they are given the authority to carry arms and permission to conduct business. The military appears to turn a blind eye to their illicit activities – which, not surprisingly, they engage in liberally, given that they receive no funding or other resources from the military. These groups operate checkpoints to restrict access to their areas or businesses, giving them a great deal of autonomy.

Also fitting the bill are enclaves under the control of ethnic armed groups that have durable ceasefires with Naypyitaw, such as the special regions run by the United Wa State Army (UWSA) and the National Democratic Alliance Army (NDAA, or "Mongla group") on the Chinese border, as well as the UWSA's 171 military region abutting Thailand. Both groups agreed to ceasefires in 1989 that were reaffirmed in 2011, and neither has had serious clashes with the Myanmar army over those accords' three decades in effect. At the same time, these enclaves are defended by large, well-equipped forces, and neither the Myanmar military nor civilian authorities can enter without permission.

Illicit enterprises that dwarf legitimate ones have fuelled a political economy inimical to peace and security. On one hand, the militias and other armed actors that control areas where crime flourishes have a major disincentive to demobilise, given that they need weapons and territorial control to keep their revenue flowing. They make the money through informal taxation of legal and illegal trade. On the other hand, the Myanmar military, which – at least in theory – has ultimate authority over militias and Border Guard Forces, views such semi-autonomous entities as necessary for helping it combat the various ethnic armed groups. As discussed below, the military has become even more reliant on such groups as conflict has proliferated following the February 2021 coup.

B. *Impact of the 2021 Coup*

The February 2021 coup transformed the security landscape and political economy of Myanmar's border areas. The numerous armed resistance groups formed in response to the coup, many of which have received support from established ethnic armed organisations, have left the Myanmar military battling an array of foes across a wide geo-

[75] Militias are either armed groups or factions that have allied with the Myanmar military in return for permission to retain their arms and freely conduct business in their areas, including illicit commerce. Border Guard Forces (BGFs) are former armed factions or militias from different ethnic groups that in 2009-2010 accepted the junta's demands to transform into paramilitary units. They include a proportion of Myanmar army personnel and are partially within the military's chain of command. In practice, however, these personnel tend not to participate actively in the BGFs' activities or travel with them; BGF commanders often also control other troops that operate independently of the formal structure. Thus, these BGFs operate much like militias – bearing arms within an area they control and having wide latitude to pursue licit and illicit business activities. See John Buchanan, "Militias in Myanmar", The Asia Foundation, July 2016.

graphical area.[76] Stretched thin, the military has, as noted, become more reliant on Border Guard Forces and other militias to contain the armed resistance, reducing its willingness and ability to constrain these allies' activities. It is a contrast to the pre-coup situation, when the military sought to impose limits on its allied militias – including disarming the Kaungkha Militia and pressuring the Kayin Border Guard Force, for example – out of concern that they could become too rich and well-armed to rein in if the need arose.[77]

This transformed security landscape and political economy is particularly striking in Shan State, which has seen much less fighting than other areas since the coup. As the Myanmar military has shifted its focus – and more recently, some of its troops – to more restive areas, the local balance of power has changed.[78] The shift has been to the detriment of some groups, such as the Restoration Council of Shan State. The ethnic armed group, which has a ceasefire agreement with the military, has lost considerable territory and power now that it no longer has the same level of backing in its expansionist moves against rival groups that do not have ceasefires, such as the Ta'ang National Liberation Army (TNLA) and the Shan State Progress Party (SSPP).[79]

Other groups have benefited from the post-coup situation, most significantly the UWSA, the country's largest ethnic armed group. The UWSA's goal is for Myanmar to formally recognise its autonomous areas as a separate Wa State, with the same status as other ethnic states in Myanmar – and preferably to expand its territory so that its two separate enclaves are connected.[80] Since the coup, the group has enlarged its area of influence to cover much of Trans-Salween – the part of Shan State between the east bank of the Salween (Thanlyin) River and the Chinese, Lao and Thai borders (see the map in Appendix B).[81] In the past, the Myanmar army operated bases and checkpoints to limit UWSA expansionism, but it no longer has the ability to do so.[82] Since the coup, UWSA has also been more assertive in projecting force across the Salween River in several locations, which analysts suggest is an attempt to tip the balance of

[76] See Crisis Group Asia Report N°328, *Crowdfunding a War: The Money behind Myanmar's Resistance*, 20 December 2022; and Crisis Group Asia Briefing N°174, *Breaking Gender and Age Barriers amid Myanmar's Spring Revolution*, 16 February 2023.

[77] Crisis Group Asia Report N°312, *Identity Crisis: Ethnicity and Conflict in Myanmar*, 28 August 2020, Section IV.A. See also "Will the Kayin BGF go quietly?", *Frontier Myanmar*, 26 January 2021.

[78] Crisis Group interviews, Myanmar security analysts, May 2023.

[79] Ibid. See also "The Advance and Retreat of a Shan Army", Transnational Institute, 3 May 2022.

[80] See, for example, "Volatile stand-off between UWSA, Mong La and Burma Army along China border", Shan Herald Agency for News, 7 July 2020. For discussion of the UWSA's history and objectives, see Tom Kramer, *The United Wa State Party: Narco-Army or Ethnic Nationalist Party?* (Washington, 2007). Myanmar has fifteen first-order administrative subdivisions. In addition to the capital (Naypyitaw) and seven "regions" primarily inhabited by the Burman majority, there are seven ethnic states designated for some of the larger minority groups (the Chin, Kachin, Kayah, Kayin, Mon, Rakhine and Shan).

[81] Crisis Group interviews, Myanmar analysts, February and April 2023. See also "Volatile stand-off between UWSA, Mong La and Burma Army along China border", op. cit.; and Anthony Davis, "Wa an early winner of Myanmar's post-coup war", *Asia Times*, 22 February 2022.

[82] Crisis Group interviews, Myanmar analysts, February and April 2023. See also Anthony Davis, "Wa an early winner of Myanmar's post-coup war"; *Asia Times*, 22 February 2022; and "Residents flee as military tensions flare in Eastern Shan State", *The Irrawaddy*, 25 October 2016.

power toward its allies (such as the TNLA and the SSPP) in these areas, and thereby protect its flank, rather than a plan to expand its territory west of the Salween.[83]

While the Myanmar military controls Kengtung and other towns and main roads in trans-Salween Shan State, its grip is weaker in the hinterland. The same is true of the Restoration Council of Shan State, which has mostly retreated to its base areas. Border Guard Forces allied with the Myanmar military have a powerful presence in the Kokang Self-Administered Zone and the town of Tachileik, but they are focused on running illicit businesses rather than challenging the UWSA.[84]

Weaker state institutions and a curtailed Myanmar military posture in Trans-Salween have also made criminal activity easier and thereby boosted the illicit economy. The drug trade, particularly in opium, has thrived since the coup, and large-scale methamphetamine production has migrated from northern Shan State to the areas around Tachileik (controlled by the Lahu BGF1009) and Monghsat (controlled by the UWSA).[85] In addition, scam operations and online gambling have relocated from the Golden Triangle SEZ in Laos to Tachileik and other parts of Trans-Salween and Kayin State (see Section III.B above). While swathes of Myanmar are in the midst of violent conflict, and economic conditions for most people are extremely difficult, Tachileik is a boomtown, with casinos, nightclubs and video karaoke ("KTV") establishments doing a roaring business.[86]

The coup also appears to have resulted in an increase in funds flowing from groups in the Trans-Salween into the broader Myanmar economy.[87] Many assets and businesses have declined in value following the coup, even as these groups have gained purchasing power, due to the sharp devaluation of the Myanmar kyat (most illicit profits are in foreign currency).[88] In addition to Mandalay and Yangon, the northern Shan State capital Lashio has seen a wave of new property-related investment, with Wa and Kokang com-

[83] Crisis Group interviews, Myanmar analysts, February and April 2023; regional crime expert, Thailand, February 2023. "UWSA deploys large number of troops to Mong Yaw region", Shan Herald Agency for News, 10 April 2023.

[84] The other key centre of illicit activity in Trans-Salween is Mongla, controlled by the NDAA – over which the UWSA has asserted its authority at any sign that its junior partner was developing an independent policy direction. It notably did so in 2016, when it had concerns that the NDAA was going to unilaterally join the government peace process. See "Residents flee as military tensions flare in Eastern Shan State", op. cit.

[85] Crisis Group interviews, Western and regional law enforcement officials and transnational crime experts, November-December 2022 and February 2023. See also "Myanmar Opium Survey 2022: Cultivation, Production and Implications", UN Office on Drugs and Crime, January 2023. Trans-Salween saw an increase in opium cultivation area and yield from 2020 to 2022, but not as big a surge as other areas of Myanmar.

[86] Crisis Group interviews, analysts and local businesspeople, Thailand, February-March 2023. The video karaoke clubs are often fronts for prostitution. For a sampling of Tachileik's nightlife, see TikTok videos of the "Harry Potter" entertainment complex in Tachileik here and here; the UWSA owns the complex, which opened in early 2022, and the surrounding land. In April 2022, there was a major drug seizure in the complex after a shootout. See "တာချီလိတ်မြို့ရှိ "၀"ပိုင်နက်အတွင်း သေနတ်ပစ်ခတ်မှုကြောင့် တိုင်တန်းခံရသည့် အမျိုးသား(၁၀)ဦးအဖွဲ့ထံမှ မူးယစ်ဆေးပြား (၁၂)သန်းခွဲကျော် သိမ်းဆည်းရမိ" [More than 12.5 million narcotic tablets seized from ten men involved in shooting incident in Wa-controlled part of Tachileik town], Tachileik News Agency, 24 April 2022.

[87] Crisis Group interviews, Myanmar businesspeople and financial sector experts, January-May 2023.

[88] The kyat has lost more than half of its value since the coup, declining from around 1,330 to the U.S. dollar in January 2021 to around 2,950 at the end of May 2023.

panies building hotels, condominiums and even a casino, something that the authorities would likely not have allowed before the coup.[89] Myanmar has long had a poor record on seizing the proceeds of organised crime and on combating money laundering. Its prospects of improving this performance evaporated after the coup, which contributed to its blacklisting by the Financial Action Task Force in October 2022.[90]

[89] Crisis Group interview, Shan analyst, May 2023.
[90] "Myanmar put on FATF's 'blacklist' over money laundering risks", Bloomberg, 22 October 2022. The only other two countries on the blacklist are Iran and North Korea.

V. An Unmet Challenge: Geopolitics and the Mekong Sub-Region

A. *A Transnational Challenge*

As described above, Myanmar's trans-Salween Shan State and northern Laos's Bokeo province have become a contiguous zone of vibrant criminality, much of which is beyond the reach of either state's authorities. The sheer size of the area's illicit economies, which dwarf the legal economies of Shan State and northern Laos, means that they have an enormous impact – entrenching corruption, weakening governance institutions and damaging social capital (that is, the networks of trust and cooperation that contribute to a community's wellbeing).[91] The effects ripple well beyond Myanmar and Laos. For example, the majority of victims of trafficking for scam operations are foreign nationals. Narcotics produced in the Golden Triangle are distributed across the region, reaching as far as Australia and Japan.[92] Illicit profits also move to be laundered or invested, including in the legal economies of Yangon, Mandalay and Vientiane, as well as farther afield.

Tackling the sub-region's vast criminality is a daunting task for several reasons. The riparian topography of this zone is part of the challenge. Bisecting the area is the Mekong River, which marks the Myanmar-Lao border. Because of the large volume of legal trade along the river within which contraband can be hidden, and control of several ports by non-state entities, the river serves as an enabler of criminal activity rather than any sort of barrier to it.

The multi-country nature of the criminal zone spanning Trans-Salween and Bokeo Province creates further difficulties. It provides jurisdictional hedging opportunities for criminal organisations, allowing them to quickly relocate from one country to another in response to threats, such as the recent migration of scam operations from the Golden Triangle SEZ to Tachileik (see Section IV.B above). It also allows criminal organisations to leverage the comparative advantages of the two jurisdictions. For example, the operators of illicit methamphetamine labs prefer to set them up in parts of Trans-Salween that are beyond state control. Precursor chemicals for these labs used to come mainly from China, directly across the border. While Chinese measures have reduced the flow, many are now arriving via Laos, where unlike Trans-Salween

[91] Lao GDP was approximately $19 billion in 2021, of which Bokeo province contributes a small fraction; Shan State's GDP was around $3.5 billion (current dollars) in 2014 (based on a per capita rate of $600 and a population of 5.8 million). See Myanmar Economic Monitor, World Bank, October 2017, p. 49. Regional illicit economies are estimated to be valued in the tens of billions of dollars annually, including illicit methamphetamine ($61.4 billion); heroin ($10.3 billion); and online gambling ($24 billion). See Richard Horsey, "Myanmar's Illicit Economies: A Preliminary Analysis", UN Office of Drugs and Crime, February 2020. Scam centres are also thought to generate billions of dollars in annual profits. See "That simple 'hi' text from a stranger could be the start of a scam that ends up costing you millions", CNBC, 2 May 2023; and "From industrial-scale scam centers, trafficking victims are being forced to steal billions", VICE News, 13 July 2022.

[92] Yaba from Shan State flows across the Mekong sub-region and to South Asia; key markets for crystal methamphetamine include Australia, Japan, New Zealand and South Korea.

there are licit industries with a legitimate need for such chemicals – and hence fewer restrictions.[93] The Mekong provides an easy way to get the chemicals undetected.

For these and other reasons, addressing the upper Mekong's sprawling criminality is a transnational challenge that requires a transnational solution. But any such effort would need to be mounted in a geopolitically sensitive region, where the major state players are either outright competing or seem to feel they gain most by working separately. Progress has therefore been halting at best.

B. *U.S.-China Competition*

China and the U.S. have major interests in the upper Mekong but show little appetite for cooperation when it comes to tackling crime. Indeed, they have been increasingly competing for influence over the Mekong sub-region, which both consider vitally important.[94] From Washington's perspective, a powerful and assertive China is increasingly challenging long-term U.S. security interests, including its alliance with Thailand, which has drifted in recent decades with the demise of its anti-communist strategic rationale and Bangkok's hedging in the face of major- power competition.[95] From Beijing's perspective, Washington continues to meddle too close to its borders, while China believes its efforts to assert itself as the dominant regional country are consistent with its status as a world power. Other Mekong countries report feeling increasing pressure to choose sides between the two superpowers, something that most have resisted doing.[96]

The Mekong River itself is at the centre of the sub-regional competition, given that it is both a key source of water supply and a strategic transport and trade route. As noted, Beijing has – particularly since the 2011 Naw Kham incident – increased the projection of its economic and security clout down the river, up to Thailand's border. China has also built eleven dams on its section of the Mekong mainstream. In recent years, other states and think-tanks have accused Beijing of using these to hold back

[93] Crisis Group interviews, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023. As noted in fn 73 above, India also appears to be growing in importance as a source of precursor chemicals.

[94] South East Asia, of which the Mekong sub-region (excluding China) forms a part, is already an arena of intense, and sometimes tense, rivalry between the U.S. and China, in particular over China's sweeping claims in the South China Sea, which affect several South East Asian countries, including the Philippines, which is a U.S. treaty ally. See Crisis Group Asia Report N°315, *Competing Visions of International Order in the South China Sea*, 29 November 2021.

[95] The U.S. has provided military assistance to Thailand since 1950. The formal alliance dates to the signing of the South East Asia Collective Defense Treaty (Manila Pact) in 1954 and was subsequently bolstered by the 1962 Rusk-Thanat Communiqué and the 1966 Treaty of Amity and Economic Relations. In 2003, the U.S. designated Thailand as a "major non-NATO ally". The two countries co-host Cobra Gold, the Indo-Pacific region's largest annual multinational military exercise and signed the Thai-U.S. Joint Vision Statement 2020 on defence and security cooperation. See "U.S. Relations with Thailand", U.S. Department of State, 4 May 2021; Gregory Raymond and John Blaxland, *The US-Thai Alliance and Asian International Relations: History, Memory and Current Developments* (Abingdon, 2021), pp. 4-5.

[96] See Crisis Group Report, *Competing Visions of International Order in the South China Sea*, op. cit. For details on the perceived pressure to choose sides, see Jonathan Stromseth, "Don't Make Us Choose: Southeast Asia in the Throes of US-China Rivalry", Brookings Institution, 2019.

water during droughts and taking other steps that adversely affect downstream countries – including U.S. ally Thailand and U.S. partner Vietnam.[97] While there is debate about the extent to which China's dams contribute to downstream droughts, the lower Mekong countries are quietly concerned that China may use the dams as a source of leverage.[98]

Competing sub-regional cooperation frameworks are another manifestation of this growing rivalry. As part of the Obama administration's pivot or "rebalance" to Asia, the U.S. launched the Lower Mekong Initiative in 2009, which became the Mekong-U.S. Partnership in 2020.[99] The Partnership emphasises "soft infrastructure" to support lower Mekong countries' "autonomy, economic independence, good governance and sustainable growth" through programs on development cooperation, transboundary water and natural resources management, non-traditional security, energy and infrastructure.[100] The Partnership has broad membership, aiming to keep extra-regional powers engaged in the region.[101] While U.S. efforts in the lower Mekong are mainly pitched at capacity building and engaging local institutions, they are also linked to its strategy of securing a "free and open Indo-Pacific"; at the East Asia Summit foreign ministers' meeting in August 2021, U.S. Secretary of State Antony Blinken called for "a free and open Mekong".[102]

In 2016, China launched its own initiative, the Lancang-Mekong Cooperation framework (the Mekong is known as the Lancang in China), at least partly in response to the Lower Mekong Initiative.[103] The framework is exclusive, including only China

[97] The claim that China had restricted the flow of water through its Mekong dams was first advanced in a U.S. State Department-funded study by Eyes on Earth, a research firm. Alan Basist and Claude Williams, *Monitoring the Quantity of Water Flowing Through the Mekong Basin Through Natural (Unimpeded) Conditions* (Bangkok, 2020). Some scientists have criticised this study on methodological grounds. See Marko Kallio and Amy Fallon, "Are China's Dams on the Mekong Causing Downstream Drought? The Importance of Scientific Debate", Center for Social Development Studies, Faculty of Political Science at Chulalongkorn University, 28 April 2020 and Mekong River Commission, *Understanding the Mekong River's Hydrological Conditions* (Vientiane, April 2020). For a Chinese response to U.S.-funded critiques of China's Mekong dams, see Liran Xiong, "Find a new path: 'Mekong Dam Monitoring' funded by the United States attempts to build a containment front against China in the third field", *Bangkok Post*, 19 August 2022.

[98] See, for example, "Water wars: Mekong River another front in U.S.-China rivalry", Reuters, 24 July 2020.

[99] See the website of the Mekong-U.S. partnership for more information.

[100] Office of the Spokesperson, U.S. Department of State, "Launch of the Mekong-U.S. Partnership: Expanding U.S. Engagement with the Mekong Region", 14 September 2020; Hoang Thi Ha, "Is the US a Serious Competitor to China in the Lower Mekong?", *ISEAS Perspective*, no. 37, 3 May 2023.

[101] Since 2011, the U.S. has supported a dialogue among donors called the Friends of the Lower Mekong, which includes Australia, the EU, Japan, New Zealand and South Korea, as well as the Asian Development Bank, the Mekong River Commission and the World Bank. In 2019, Japan and the U.S. launched the Japan-U.S.-Mekong Power Partnership to "advance the clean energy transition, regional electricity trade and power market reforms that enhance market competition, incentivize clean energy deployment and mobilize investment". "Release of Japan-U.S.-Mekong Power Partnership Action Plan", U.S. State Department, 6 April 2023.

[102] "Secretary Blinken's Participation in the East Asia Summit Foreign Ministers' Meeting", Office of the Spokesperson, U.S. Department of State, 4 August 2021.

[103] See the website of the Lacang-Mekong Corporation for more information.

and the five lower Mekong countries.[104] Under Beijing's leadership, Lancang-Mekong Cooperation is an extension of the Belt and Road Initiative. It has emphasised concrete outcomes, launching projects to step up regional connectivity through Chinese investment in hard infrastructure.[105] At the same time, observers have noted that the Lancang-Mekong Cooperation serves as Beijing's "own regional house where it can enjoy almost exclusive influence over other Mekong capitals".[106]

Because these competing frameworks are aimed at advancing U.S. and Chinese strategic interests, Washington and Beijing tend to subordinate their development agendas to those larger goals, making them captive to the global rivalry between the superpowers, leading to zero-sum approaches. Thus, for example, the U.S. has criticised the Lancang-Mekong Cooperation for trying to sideline pre-existing U.S.-led initiatives, and China has pushed Mekong countries receiving its aid to accept Beijing's vision for the region, termed a "community of common destiny", to the exclusion of other initiatives.[107]

Some analysts see China-U.S. rivalry in the Mekong sub-region as "driving a wedge between mainland and maritime South East Asia" – since Beijing's growing economic and diplomatic influence has led some Mekong countries, notably Cambodia and Laos, to rein in their criticism of China when maritime disputes are discussed in regional forums like the Association of South East Asian Nations (ASEAN) – and potentially being as consequential as the South China Sea dispute, with "sentiment growing in the region that because ASEAN focused so much on the 'sea', it forgot about the 'land'".[108]

This big-power competition is an obstacle to U.S.-China cooperation on issues of shared concern in the region, such as organised crime. For example, U.S. officials, members of Congress and experts close to the U.S. government are often vocal in criticising China for not doing enough to combat crime, whether it is the export of precursor chemicals used to produce synthetic opioids such as fentanyl that are trafficked to the U.S.; the export of precursor chemicals for the production of heroin and methamphetamine in the Mekong sub-region; or money laundering and other illicit activities by transnational criminal gangs with links to Chinese nationals.[109] For its part, China complains – with some justification – that these criticisms fail to acknowledge actions that it is taking to address these issues. It also points out that critics deliberately con-

[104] The Lancang-Mekong Cooperation framework covers three pillars: political and security issues; economics and sustainable development; and social, cultural and people-to-people exchanges. Supporting these pillars are five sub-themes: connectivity, production capacity, cross-border economic cooperation, water resources, and agriculture and poverty reduction. It is the only Mekong sub-region cooperative framework to encompass political and security issues. Pongphisoot Busbarat, Poowin Bunyavejchewin and Thapiporn Suporn, "China and Mekong Regionalism: A Reappraisal of the Formation of Lancang-Mekong Cooperation", *Asian Politics and Policy*, no. 13 (2021), p. 202.

[105] Hoang, "Is the US a Serious Competitor to China in the Lower Mekong?", op. cit.

[106] Busbarat, Bunyavejchewin and Suporn, "China and Mekong Regionalism: A Reappraisal of the Formation of Lancang-Mekong Cooperation", op. cit., p. 208.

[107] "Water wars: Mekong River another front in U.S.-China rivalry", op. cit.

[108] Stromseth, "Don't Make Us Choose: Southeast Asia in the Throes of U.S.-China Rivalry", op. cit.

[109] Crisis Group interviews, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023. See also "McClain announces hearing on Chinese money laundering operations assisting cartels, killing Americans", press release, House Committee on Oversight and Accountability, 21 April 2023.

flate the Chinese state with criminals who are Chinese nationals or of Chinese ethnicity, as part of an effort to smear China.[110]

Such competitive dynamics serve to undermine vital cooperation. For example, Thai authorities have established an operations and intelligence centre in northern Thailand, focused on transnational organised crime in the Mekong, inviting a range of international partners to take part in the centre's work, including Mekong states, the U.S. and other Western countries.[111] As a Mekong riparian state, China is eligible to take part, but it has reportedly not done so, due to the prominent involvement of the U.S.[112]

In another example, on 7 July the Biden administration launched a Global Coalition to Address Synthetic Drug Threats to "prevent illicit drug manufacturing, detect emerging drug threats, disrupt trafficking, address illicit finance, and respond to public safety and public health impacts".[113] Although mainly aimed at addressing illicit fentanyl trafficking to the U.S., the focus of the initiative was broadened to synthetic drugs more generally, in order to secure the more active support of U.S. allies such as Thailand and the Philippines, whose primary concern is methamphetamine.[114] U.S. officials say China has been invited to join, although an expert Crisis Group spoke to suggested that Beijing was unlikely to do so if it saw the forum as a vehicle for criticising China over illicit fentanyl.

The upshot is that the U.S. would be wise to engage in less finger-pointing and ensure that the initiative includes issues important to China, such as ketamine.[115] This approach – toning down accusatory rhetoric and working on issues of shared concern – could be adopted more generally to facilitate U.S.-China cooperation on organised crime.

C. *China's Outsized Influence*

China has more influence than any other country in the Golden Triangle. Yet it has a complicated agenda – including the importance it attaches to maintaining good relations with the Myanmar armed groups along its border – that keeps it from doing all it could to rein in transnational crime.

1. China in the Trans-Salween

China's own development path was based on the idea that economic growth would create stability, and stability on the border with Myanmar is a key objective for Beijing.

[110] Crisis Group interviews, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023. For an example of such conflation, see "McClain announces hearing on Chinese money laundering operations assisting cartels, killing Americans", op. cit.
[111] Crisis Group interviews, Western and regional law enforcement officials and transnational crime experts, November-December 2022 and February-March 2023. The Greater Mekong Subregion comprises Cambodia, China (Yunnan Province and Guangxi Zhuang Autonomous Region), Laos, Myanmar, Thailand and Vietnam.
[112] Ibid.
[113] "Dr. Rahul Gupta Releases Statement on the Launch of the Global Coalition to Address Synthetic Drug Threats", press release, White House, 7 July 2023.
[114] Crisis Group interview, transnational crime expert, June 2023. See also "Blinken announces global coalition targeting fentanyl crisis", Bloomberg, 23 June 2023.
[115] Crisis Group interview, transnational crime expert, June 2023.

Since the collapse of the Chinese-backed communist insurgency in northern Myanmar in 1989, Shan State's economy has become bound up with that of south-western China.[116] As the connections multiply, the area is being pulled further into China's orbit – due partly to the sheer size of China's economy but also to a Chinese policy of using economic engagement as a means of achieving strategic goals. Over recent years, apart from a hiatus due to COVID-19, Chinese investment has surged: huge plantations growing everything from watermelons to bananas to rubber have been established to serve the Chinese market and cross-border trade volumes have skyrocketed.[117] Transport infrastructure has improved to accommodate the increased flows, which also facilitates illicit trade.[118]

One of the biggest challenges to tackling transnational crime in the region is the enclaves, in Trans-Salween and elsewhere in Myanmar, controlled by non-state armed groups, who monetise their quasi-autonomy by collaborating with transnational criminal organisations (see Section IV above). China has much greater influence over many of these groups than the Myanmar military does, particularly in the enclaves along its border in Trans-Salween, controlled by the Kokang BGF, the UWSA and the NDAA (Mongla).

Beyond economic relations, Beijing has cultivated political ties with these armed groups, some of which it also directly or indirectly supplies with weapons, giving it significant leverage for limiting armed conflict on its border. Just in the last few months, Deng Xijun, the Chinese special envoy for Myanmar, has met with these groups twice (in December 2022 and February 2023).[119] Chinese Foreign Minister Qin Gang also made a rare visit to the Myanmar frontier in Yunnan province prior to his May 2023 trip to Naypyitaw, calling for a "clear and stable" border.[120]

Keeping fighting away from its border through statecraft is a higher priority for Beijing than stamping out crime. When it comes to illicit activities, Beijing's view – right or wrong – is that economic development tends to promote stability, even when it includes criminal activities that cause it problems.[121] Thus, China tends to balance its action toward such criminal activities with its other objectives, including maintaining a peaceful border and influence over armed groups. Nevertheless, it has occasionally demonstrated its coercive capacity when persuasion proved insufficient, for example by closing its border with enclaves controlled by these groups in order to stop the flow of people, goods and services (including electricity and telecommunications) that those territories rely on.

Away from its border, China deploys other methods. In Shwe Kokko, on the Thai border in Kayin State's Myawaddy township, China has no direct leverage, and so has used more coercive methods to crack down on criminal activities of particular concern, such as online casinos targeting mainland Chinese gamblers and scam opera-

[116] Crisis Group Report, *Commerce and Conflict*, op. cit., Section IV.
[117] Ibid.
[118] Ibid.
[119] "Chinese envoy meets leaders of three northern Myanmar ethnic armed groups", Development Media Group, 25 February 2023.
[120] "China's Qin Gang warns against 'spillover' of Myanmar violence, calls for 'clear and stable' border", *South China Morning Post*, 3 May 2023.
[121] Crisis Group Report, *Commerce and Conflict*, op. cit., Section IV.A.

tions. Thus, it asked Thai authorities to arrest the zone's chairman, She Zhijiang, which they did in 2022.[122] China has also sent half a dozen police officers on a months-long deployment to a task force in Mae Sot, Thailand, close to Shwe Kokko.[123] The task force is targeting scam centres that are detaining scores of Chinese workers as well as those of other nationalities.[124] Chinese envoys have also pressed the regime in Naypyitaw to do more to tackle the problem, in coordination with Beijing and Bangkok.[125]

2. Beijing, Vientiane and the Golden Triangle SEZ

China also exerts considerable influence over the Golden Triangle SEZ in Laos. Although it is controlled by private commercial entities, the quasi-autonomous regulation of the SEZ, and its Chinese character, mean that it can be exploited by Beijing for intelligence gathering and power projection.[126] Beijing also has sway over both the SEZ's Chinese promoter, Zhao Wei, and the Lao state. While Laos is not a client state of China – the two countries have a history of strained relations in the 1970s and 1980s, and analysts describe Laos as playing off China, Vietnam and Thailand – Beijing does exercise significant clout with its small neighbour, in part because of Laos's huge public debt to China.[127]

Still, Laos appears to be a willing partner, having made a deliberate choice in agreeing to the establishment of the Golden Triangle SEZ and its subsequent expansion. One reason may be that Lao elites feel they profit from the arrangement.[128] Thus, while the SEZ appears to be an example of "sovereignty for sale", the Lao authorities may not see it as such.[129] Rather, they are likely to view the SEZ as having provided eco-

[122] In May, a Thai court ordered She Zhijiang's extradition to China despite his argument that he was no longer a Chinese citizen, having pre-emptively acquired Cambodian citizenship in 2019. He is appealing the extradition. Crisis Group interviews, regional law enforcement official, February and March 2023. See also "Thai police arrest suspected Chinese gambling kingpin", Reuters, 16 August 2022; and "泰法院判决 佘智江引渡回中国", 26 May 2023.

[123] Crisis Group interviews, regional law enforcement official, February and March 2023. Myanmar police are also included in this task force, but they have little authority over Shwe Kokko and similar locations in areas controlled by the Kayin BGF.

[124] Ibid.

[125] The Chinese ambassador to Myanmar met with the regime's foreign minister regarding this matter in late July. "陈海大使就打击电信诈骗等犯罪活动同缅甸外长丹穗进行协调", Chinese Embassy in Myanmar, 25 July 2023.

[126] Crisis Group interviews, Western diplomats, regional law enforcement officials and organised crime experts, Thailand, November 2022 and February 2023.

[127] Crisis Group interview, political economy analyst with expertise in Laos, February and March 2023. See also "Laos-China railway inaugurated amid mounting debt concerns", *The Diplomat*, 3 December 2021; and A. M. Savada and D. P. Whitaker, *Laos: A Country Study* (Washington, 1995), p. 249.

[128] In this sense, the situation is very different from Myanmar's in the Trans-Salween – where the Myanmar military has limited influence over the area's trajectory because of UWSA's strength and the post-coup challenges it needs to confront across much of the country.

[129] UN Office of Drugs and Crime regional representative Jeremy Douglas, quoted in "Asia's scamdemic", op. cit. For a detailed discussion of the concept, see Daniel W. Drezner, "Sovereignty for sale", *Foreign Policy*, 18 November 2009.

nomic benefits to the country and development opportunities to a poor province, lengthening the state's reach.[130]

To some extent, this assessment may be correct. At the macro level, investment and foreign visitors flowing into the SEZ have no doubt helped boost Laos's foreign currency reserves and its ability to service a huge external debt.[131] In addition, since the SEZ was launched, Bokeo has gone from an impoverished agrarian frontier province over which Vientiane's writ hardly extended, to a more prosperous area with modern infrastructure. Indeed, Bokeo has experienced the steepest reductions in poverty of any Lao province since 2013, going from one of the poorest in the country to one of the best-off.[132]

The reality, however, is that residents of Bokeo province perceive drug use, crime and inequality to have risen. Local people interviewed by Crisis Group acknowledged that the SEZ has brought better infrastructure, jobs and other economic opportunities, but still expressed resentment at the illegal activities they saw taking place in the zone, the growing problem of drug addiction (and more generally the erosion of community cohesion and cultural values) and the very visible economic disparities.[133] In the longer term, quasi-autonomous enclaves such as the Golden Triangle SEZ corrode state institutions and the rule of law, with local but also regional consequences.[134] For the time being, Laos appears to be discounting these costs because of the gains coming from the arrangement, whereas Beijing is using its leverage over Laos and the SEZ's operators to deal with its most serious concerns about criminal enterprises, like the scam centres, without losing the benefits that also accrue to it from the zone.

Normally, these issues might attract Washington's attention, but the U.S. has played its hand cautiously. Although the U.S. has applied sanctions to the Golden Triangle SEZ, Washington has also been mindful of China's delicate relationship with Laos in deciding how much pressure to apply to Vientiane. Indeed, it is partly due to U.S., Thai and Vietnamese concerns about pushing Laos more firmly into China's embrace that Washington has opted not to lean too hard on the government – for example, by not extending Treasury sanctions on the Golden Triangle SEZ to cover Lao entities (such as state banks), even though the state is an equity holder in the SEZ.[135]

[130] Crisis Group interview, political economy analyst with expertise in Laos, February and March 2023. Such a view is not unique to Laos. Myanmar's military regime touted the "amazing" development of enclaves such as Laukkaing, Mongla and Pangsang in Shan State following ceasefire agreements with ethnic armed groups that control the areas, noting that they were once "little more than villages lying lazily and idly along the remote corners of the nation". See "Amazing border towns", *New Light of Myanmar*, 8 August 2003.

[131] Crisis Group interview, political economy analyst with expertise in Laos, February and March 2023. See also "Lao PDR: Economic Recovery Challenged by Debt and Rising Prices", World Bank, 12 May 2022.

[132] "Poverty Profile in Lao PDR: Poverty Report for the Lao Expenditure and Consumption Survey 2018-2019", Lao Statistics Bureau and World Bank, 2020, p. 19.

[133] Crisis Group interviews, residents, Bokeo province, Laos, March 2023. See also Kearrin Sims, "Laos rolls the dice on casino tourism", Western Sydney University Institute for Culture and Society (blog), 12 July 2016.

[134] See, for example, Paula Miraglia, Rolando Ochoa and Ivan Briscoe, "Transnational Organised Crime and Fragile States", OECD Working Paper, 2012.

[135] Crisis Group interviews, analysts and diplomats, November 2022, February-March 2023.

VI. **Recommendations**

There are no easy solutions to the problem of sophisticated, extremely lucrative criminality in jurisdictions – both state and non-state – with weak enforcement capacity and high susceptibility to corruption or collusion. The sums of money at stake are larger than some of the region's national economies.[136] While it is conceivable that concerted action in a single jurisdiction could achieve progress, the criminal networks involved have shown that they have the capacity to quickly shift operations to another nearby jurisdiction when under threat. A coordinated regional approach with enhanced political leadership is therefore indispensable.

It is clear that taking a narrow security and criminal justice approach to these issues is insufficient, since such methods mainly addresses the problem's short-term symptoms without tackling the underlying causes in governance, social, economic and political factors. Dealing with transnational crime in this manner can lead to an over-reliance on repressive measures – such as increased surveillance, restrictive border controls and police raids – that are often ineffective. The security-centred approach may be particularly inadequate when countries act unilaterally, thereby hindering international cooperation.

Because the challenge is so multi-dimensional, a wide range of expertise will be required to address it. Multilateral intelligence sharing, joint law enforcement operations and multi-agency collaboration are likely to be more effective than stove-piped efforts. While police action and criminal justice are undoubtedly necessary, policymakers in Mekong countries need to involve other agencies including those with jurisdiction over customs, immigration, finance and trade. In this way, illicit financial flows can be flagged more effectively and money laundering schemes better identified. Coordinated action across jurisdictions can help prevent crime syndicates from engaging in regulatory arbitrage. The difficulty of the problem, and the coordination challenges it entails, require it to be a political priority for countries in the region.

Given the scale of the problem, regional governments need increased support from other countries, particularly the U.S. and China. Unfortunately, the intensity level of big-power rivalry is standing in the way. U.S.-China competition in the Indo-Pacific broadly, and in the Mekong sub-region more narrowly, inhibits cooperation and evidence-based policy approaches, with the two powers focused on outdoing each other rather than collaborating to solve problems. Such zero-sum behaviour may be unavoidable against the current geopolitical backdrop, but it is important to insulate these transnational challenges from the bigger picture as much as possible. So far, there has been a failure on all sides to do so.

While this scenario may be somewhat aspirational, the U.S. and China should ideally set aside their geopolitical rivalry when it comes to cooperating in combating transnational crime in the Mekong. China could participate in the recently launched U.S. initiative on synthetic drugs. Both countries could also cooperate with Thailand's operations and intelligence centre on transnational organised crime in the Mekong (see Section V.B above). The two powers could also foster enhanced regional cooperation by focusing on ways in which their respective Mekong cooperation platforms (the

[136] See fn 91 above.

Mekong-U.S. partnership and the Lancang-Mekong Cooperation) could support complementary, mutually beneficial initiatives to tackle the underlying governance and socio-economic factors that allow organised crime to flourish. A good first step would be for both sides to share more information about their objectives and activities in the Mekong sub-region, both bilaterally and via their respective cooperation platforms.

For its part, China should adopt a more consistent approach to deterring crime in its neighbourhood, using its influence over regional governments and non-state actors to curtail such activities. So far, it has used this influence only when it has seen its national interests directly and significantly threatened – for example, in recent years pushing the Philippines and Cambodia to crack down on online gambling operations targeting mainland Chinese punters, and in recent months launching a diplomatic and law enforcement attempt to shut down online scam operations in South East Asia that have employed trafficked Chinese workers and targeted mainland Chinese victims.[137] At the same time, it has turned a blind eye to much of the criminality in locations controlled by entities and individuals friendly to China, including the Golden Triangle SEZ and UWSA and NDAA enclaves in trans-Salween Shan State (see Sections IV and V.C above).

Finally, while efforts to tackle these criminal activities are essential, it is important to address their human impact. For example, there are thousands of people from various countries being held against their will and suffering often brutal treatment at the hands of scam centre operators in Myanmar, Laos and elsewhere in the region. Raids are often ineffective, as the criminal gangs running these centres receive advance warnings from corrupt officials.[138] According to groups helping victims get away, the best means of securing the release of individual detainees is intervention by the person's embassy in the relevant jurisdiction, once officials are aware of the individual's plight.[139] Countries where these scam centres operate, as well as neighbouring countries where victims may escape to and the victims' own jurisdictions, should also refrain from charging freed forced labour victims for the crimes they were forced to commit, or for immigration violations, bearing in mind international norms on dealing with "forced criminality".[140]

[137] On China's campaign against online gambling, see Crisis Group Report, *Commerce and Conflict*, op. cit. For details on China's crackdown on scam operations, see Section III.B above.
[138] "Guidance on responding to victims in forced scam labour", op. cit.
[139] Ibid. Several informal civil society initiatives have emerged across the region to identify victims and assist them in escaping the scam centres, sometimes in coordination with law enforcement from relevant jurisdictions.
[140] See, for example, the Protocol of 2014 to the International Labour Organisation Forced Labour Convention, 1930; and "Recommended principles and guidelines on human rights and human trafficking", UN High Commissioner for Human Rights, 2002, principle 7. While neither Myanmar nor Laos is a party to the 2014 Protocol, its provisions reflect relevant international norms.

VII. **Conclusion**

Myanmar's Shan State and northern Laos's Bokeo province have become a single, transnational zone of criminality that is largely beyond the reach of the two countries' authorities. The Mekong River, which bisects the zone, is also an axis of geopolitical competition, complicating efforts to combat transnational criminal organisations operating in the region. The impact of this rampant illegality is significant. The illicit activities dwarf the legal economies of both Shan State and northern Laos in size. They entrench corruption, weaken governance institutions and deplete social capital. The consequences are felt not just across the region, but around the world.

Regional governments have thus far opted for criminal justice responses, but by focusing on often unilateral efforts, they are failing to address the full breadth of the challenge, much less the underlying governance and socio-economic factors that fuel this growing illicit economy. Given the adaptability of criminal networks, a coordinated regional approach involving intelligence sharing, joint operations and transnational multi-agency should be a top political priority for governments in the region. Ideally, China and the U.S. should support such a regional effort, setting aside their rivalry in order to tackle a phenomenon that has not just regional, but global, implications.

Bangkok/Brussels, 18 August 2023

Appendix A: Map of Myanmar

International Crisis Group / KO / Dec 2015. Based on UN map no. 4168 Rev. 3 (June 2012).

Appendix B: Map of the Golden Triangle Section of the Mekong

Appendix C: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former Foreign Minister of Argentina and Chef de Cabinet to the United Nations Secretary-General, Susana Malcorra.

Comfort Ero was appointed Crisis Group's President & CEO in December 2021. She first joined Crisis Group as West Africa Project Director in 2001 and later rose to become Africa Program Director in 2011 and then Interim Vice President. In between her two tenures at Crisis Group, she worked for the International Centre for Transitional Justice and the Special Representative of the UN Secretary-General in Liberia.

Crisis Group's international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Addis Ababa, Bahrain, Baku, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Jerusalem, Johannesburg, Juba, Kabul, Kiev, Manila, Mexico City, Moscow, Seoul, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.

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