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# SIHANOUKVILLE

A HUB OF ENVIRONMENTAL  
CRIME CONVERGENCE

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# CONTENTS

- Acronyms and abbreviations.....2
- Executive summary ..... 3**
  - Methodology .....4
- Introduction: Sihanoukville as a hub of multifaceted criminal activity ..... 6**
- A thoroughfare for illicit environmental commodities ..... 9**
- Criminal convergence ..... 13**
  - Illicit financial flows link Sihanoukville to Myanmar’s war economies ..... 13
  - Internet parks as criminal enclaves ..... 14
- Geography and infrastructure as enablers of criminal enterprise..... 17**
- Elite capture and weak law enforcement ..... 20**
  - Flows of capital and people from China ..... 23
- Policy implications ..... 25**
- Notes ..... 27

# ACRONYMS AND ABBREVIATIONS

ASEAN	Association of South East Asian Nations
BRI	Belt and Road Initiative
CPP	Cambodian People's Party
EDZ	Economic Development Zone
ELC	Economic Land Concession
ODA	Official Development Assistance
SEZ	Special Economic Zone
SSEZ	Sihanoukville Special Economic Zone





## EXECUTIVE SUMMARY

**T**he streets and beaches of Sihanoukville, Cambodia's infamous party town, are under-discussed areas in the global effort against transnational organized crime. Sihanoukville is known to most readers as a gambling hub and shabby tourist hotspot. But these pre-pandemic clichés do little to explain the role of a city that washes millions – if not billions – of dollars worth of funds from across Cambodia, South East Asia and beyond.

Throughout the COVID-19 pandemic, Sihanoukville's sinister underbelly of criminality has tilted into public view, thanks to thorough local and regional reporting on the city's underground criminal enterprises and their interconnected interests in wildlife trafficking, human trafficking and contraband. Spotlighting Sihanoukville, therefore, offers a case study to readers on pressing trends in pandemic-era criminal methods, and a perspective on how a cautious China seeks to stamp out the overseas criminal activity of its citizens in a high-priority Belt and Road partnership.

This report interprets Sihanoukville's hub status for transnational organized crime in four areas. The first section explores Sihanoukville's role in the global supply chain of illicit environmental commodities. While few environmental commodities are sourced from Sihanoukville, forest products from other regions of Cambodia have found their way to the port before being trafficked onwards. Sihanoukville is also a destination for wildlife products from abroad (largely, Africa), with ivory and pangolin scales having been sourced for the local market or for sale and onward transport to consumers – primarily in China. Analysis of the ivory trade in Cambodia highlights Sihanoukville's relevance to the global supply chain of illicit environmental commodities.

Section two examines the recent features of Sihanoukville's criminal landscape. The emergence of new forms of criminality, including online scams, highlights the underlying themes in this report: the attractiveness of Sihanoukville for criminal enterprise, the adaptability and changing nature of criminality, and the relative impunity that criminal enterprises enjoy.

Section three analyzes the features of Sihanoukville's political economy that have led to the city's status as a dynamic and enduring hub for a myriad of interconnected criminal activities. A deep seaport paired with a large Special Economic Zone (SEZ) enables international trade and the movement of goods with limited oversight. Large-scale real estate developments facilitate capital flight and money-laundering activities. As section four explores, these factors, in combination with elite capture and weak local enforcement, have made Sihanoukville a safe haven for criminal enterprises.

The report concludes by outlining policy implications from this research. We conclude that the Chinese government's serious interest in cleaning up the overseas image of Chinese corporations, especially in strategic Belt and Road Initiative (BRI) locations, means that a window of opportunity exists to nest environmental-crime enforcement within existing and robust Sino-Cambodian counter-crime efforts.



View of Shihanoukville. © Long Lysong via Shutterstock

## Methodology

This research combines interviews, Chinese-language desk research and investigations, and a review of the literature and news reports in English. The report draws on a deep understanding of pan-regional connectivity and the movements of goods and people across China and mainland South East Asia over centuries.

We interviewed individuals based in Cambodia and abroad. The interviewees had diverse backgrounds and included international experts on transnational organized crime, journalists, political and policy analysts and researchers. Owing to COVID-19 restrictions in place at the time of writing, all interviews were conducted online.

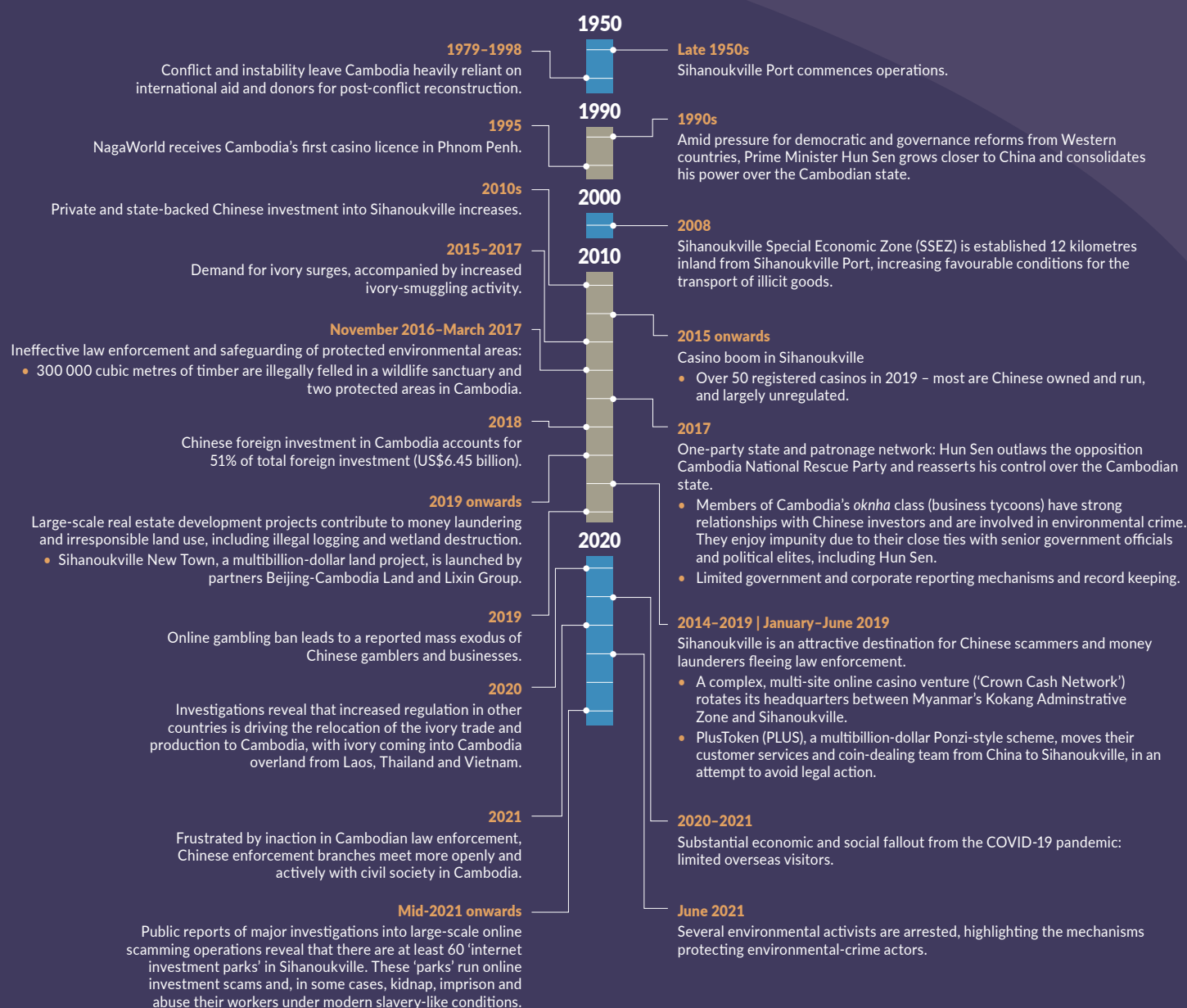
We have avoided naming the individuals in this report due to political sensitivities and to ensure their safety. We have provided additional reference materials to support their statements, acknowledging some of the challenges of contributing anonymous perspectives on these issues.

# SIHANOUKVILLE'S DEVELOPMENT AS A HUB FOR ENVIRONMENTAL CRIME

This timeline outlines the development of the conditions and characteristics that facilitate the creation of a hub for environmental crime. This is important to understand, as it provides insight into other places that may also be hubs, or are developing into hubs, given that they share some of these conditions and characteristics. The timeline also highlights the areas that need to be targeted and addressed in any attempted crackdown on crime by transnational law-enforcement bodies, states and other actors.

## Components of a hub for environmental crime

1. Easy land or maritime access
2. Access to trading routes
3. Access to illicit environmental commodities
4. State corruption and/or acquiescence
5. Autocratic political control
6. Weak domestic law enforcement
7. Access to illicit financial flows (through the casino industry and property development)





# INTRODUCTION: SIHANOUKVILLE AS A HUB OF MULTIFACETED CRIMINAL ACTIVITY

**S**ihanoukville, once a secluded playground for the royally connected, is nowadays a bustling hub for white-collar crime, high-stakes transactions and global scammers. While the city's landscape (and skyline) has changed significantly over the past 50 years, its inner-city streets and outer swamplands provide consistently favourable conditions for criminal groups.

Sihanoukville, renamed from Kampong Som in 1958 after Cambodian King Norodom Sihanouk, is the capital city of Preah Sihanouk province in Cambodia's south-west. The city sits strategically on the coast of the Gulf of Thailand and is home to Cambodia's only deep-sea port and a SEZ, highlighting its role in Cambodia's international trade. In recent years, Sihanoukville has been the site of large-scale economic development, including an influx of largely Chinese investment in entertainment and accommodation facilities peaking in the mid to late 2010s. Before the investment wave, the city was better known as a destination for international backpackers and renowned for its beautiful beaches, although even at that time there were reported organized-criminal elements that called the city home.

This report explores the presence of environmental crime and the flow of illicit environmental commodities as part of a bigger picture of criminality in Sihanoukville. This research illustrates how Sihanoukville has become a hub of multifaceted criminal activity, where environmental crime is one element among many. This report focuses on the role that Sihanoukville plays as a hub in international criminal networks and therefore contributes to an understanding of local dynamics and developments, and on regional criminal networks and the intersection between environmental crime and other illicit activity.





A port city, Sihanoukville has good trade access and facilitates mass movement of goods. © Alex Robinson via Getty Images

Sihanoukville's original role in transnational environmental crime was as an exporter of illegally logged timber to China's furniture market. As private and state-backed Chinese investment rolled into the town throughout the 2010s, criminal activity expanded into industrial and speculative sites around the SEZ, including into tourism and real estate investments.<sup>1</sup> Allegations of land grabs, damage to waterways and erosion have marred many of these projects.<sup>2</sup> Then, with the arrival of the COVID-19 pandemic in Sihanoukville, nodes of criminal activity became concentrated in underground urban compounds and ran industrial-scale scams, with some accused of modern slavery and other criminal practices.<sup>3</sup>

The nature of criminality in Sihanoukville is subject to change at the discretion of criminal operators reacting to regional developments – adapting and relocating their operations to respond to changing regulatory and enforcement priorities and activities. Over recent decades, the dominant criminal forces in Sihanoukville have shifted from Russian to Vietnamese actors, and now comprise networks from so-called Greater China. For these transnational networks, environmental crime is one lever in a diversified set of operations, which include drug trafficking, arms deals, human trafficking and money laundering.

Two events in particular have reshaped Sihanoukville's conditions: the online gambling ban in China in 2019 leading to a reported mass exodus of Chinese gamblers and businesses, and the substantial economic and social fallout from the pandemic across 2020 and 2021. Based on information gleaned from local interviewees, expert interlocutors and open-source data, the combined effect of these events on

the casinos and their secondary-service industries (including junket services and sales of exotic animal products) left tens of thousands of vulnerable low-wage workers stranded in Sihanoukville, unable to return home. The double-dip in overseas visitor numbers, with key drops in September 2019 and from March 2020, also forced businesses with a reliance on casino tourism to adapt their offerings.

English-and Chinese-language media have revealed a bulging industry of online scamming in Sihanoukville, with major investigations going public from mid-2021 through to 2022. These online-scamming operations are large-scale, employing tens of thousands of workers at a low wage. The workers are kept in high-density compounds, where they are frequently mistreated. The Cambodian authorities have responded sluggishly at best to allegations of abuse at these compounds.

A police officer based in China's Hunan Province revealed to the *Los Angeles Times* that the activities of the Mandarin-speaking networks based in South East Asia range from digital scams to 'online gambling, drug and wildlife trafficking, and other kinds of illicit activity'.<sup>4</sup> This assessment was mirrored by an expert interviewed for this report, who said: 'Online fraud and gambling is enormous. Of course, it's connected to drugs, timber and wildlife trafficking. Delineating the networks and the trades takes real work.'<sup>5</sup>

With these leads on criminal convergence, this report focuses on unravelling environmental crime as its primary goal, but embraces case studies from adjacent criminal markets, such as cybercrime, to indicate the diverse criminal landscape of pandemic-era Sihanoukville.



**FIGURE 1** Contemporary Sihanoukville.



## A THOROUGHFARE FOR ILLICIT ENVIRONMENTAL COMMODITIES

**S**ihanoukville's SEZ and deep-sea port facilitate the mass movement of goods in a system designed for free and fast-flowing trade rather than for surveillance of or investigations into what kinds of commodities are being transported.

Before the start of the COVID-19 pandemic, Sihanoukville drew masses of international tourists, especially from China, to its casinos. Casinos are a significant part of the supply chain for consumers looking to purchase wildlife parts and bushmeat. They are also important for the criminal infrastructure, as vehicles for laundering money from illicit activities.<sup>6</sup> One interviewee cited Kings Romans Casino in Laos as a textbook example, explaining that it 'has been busted over and over again for wildlife trade. Is the same thing happening in Sihanoukville? I'm sure it is. And there is certainly a thriving pangolin trade in Cambodia.'<sup>7</sup>

The same source also mentioned an increasing number of news reports of illegally owned tigers as well as historical examples of Cambodian tycoons who have been found in possession of endangered or protected wild or exotic animals.<sup>8</sup> These examples included Hun Sen's widely reported personal intervention to permit a millionaire to keep his pet lion in a Phnom Penh private compound, and the notorious, elite-linked Teuk Chhou Zoo in Kampot.<sup>9</sup>

Enforcement activity is an imperfect measure of the extent of the illegal wildlife trade in Cambodia, but it does reveal that the trade in environmental commodities through Sihanoukville is ongoing. Data from the last decade of seizures in Sihanoukville is patchy. In addition to showing Sihanoukville's enduring role as the source of and the transit hub for illegal timber for Asian and global markets, the data reveals that some seizures relate to Sihanoukville as the destination of other shipments, including ivory and plastic waste (noting, of course, that it is also possible that Sihanoukville is an intermediary destination,



**The container terminal is a key transit hub for illicit commodities.** © CamNet via Shutterstock

rather than the final destination). One source categorized flows of environmental commodities around Sihanoukville as the 'extension of illicit networks that have always existed in the [South East Asian] borderlands' to a new location where they can 'be sustained by air' and through the rapid creation of a 'large PRC [People's Republic of China] expatriate population'.<sup>10</sup>

Investigations in 2020 have also highlighted Cambodia's (and particularly Sihanoukville's) growing relevance in the ivory trade.<sup>11</sup> The Wildlife Justice Commission notes that sustained Chinese demand and relocation of trade and production away from more regulated countries are driving this shift to Cambodia.<sup>12</sup> Both Phnom Penh and Sihanoukville were investigated as key trade and retail hubs for ivory products. The investigation also revealed that ivory was coming into Cambodia overland, from Laos, Thailand and Vietnam.<sup>13</sup>

Seizure data shows that Sihanoukville is still being used for the transport of wildlife products and environmental commodities.<sup>14</sup> Government enforcement and seizures only illustrate the tip of illicit trade in Sihanoukville, and the seizure data outlined on page 11 should be understood within this context. It should also be noted that the reported complicity of senior government officials in Cambodia in the trade of illicit goods is likely to be a factor that limits the number of seizures and types of seizures reported.

Sihanoukville Port plays a key role as a transit hub for luxury timber shipments out of Cambodia. In 2013, 85% of Cambodia's timber exports were destined for China and most of the Try Pheap Group's timber was delivered to Sihanoukville Port from warehouses in Ban Lung, Thmorda (Pursat Province) and Udong (Kompong Speu Province).<sup>15</sup> At least 30 containers of timber passed into Sihanoukville Port each day before onward shipment to locations such as Hong Kong special administrative region (SAR).<sup>16</sup> Deforestation and illegal logging continue to be significant environmental problems in Cambodia, with major seizures continuing to take place throughout 2021.<sup>17</sup>



# SEIZURES OF ENVIRONMENTAL COMMODITIES IN SIHANOUKVILLE, 2011-2021



Timber



Ivory



Plastic waste



Wildlife meat



Origin



Destination



Sihanoukville's port infrastructure drives Cambodia's role in the supply chain of illicit environmental commodities. Cambodia has become a production, transit and destination hub for ivory trafficking, due to weakening law enforcement and policy developments that limit the capacity for effectively tackling transnational organized crime,<sup>18</sup> and Sihanoukville Port has been the site of most of the ivory seizures in the country. Other environmental goods trafficked through Sihanoukville include pangolin, rhino horn and timber.<sup>19</sup>

Analysis of seizure data from the past decade shows that, historically, most seizures of illicit environmental goods in Sihanoukville have been of ivory. All of the seized ivory shipments originated in Africa, from countries including Mozambique, Côte d'Ivoire, Kenya and Angola, with some shipments passing through Singapore, Malaysia and Hong Kong SAR before arriving in Sihanoukville. Some of the shipments are believed to have been destined for Cambodia, while others were seized at Sihanoukville Port before they were able to be shipped to their final destination in China.

Demand for ivory surged in the mid-2010s but appears to have since decreased. According to market surveys, between 2015 and 2017, the number of Cambodian ivory outlets more than tripled, and the estimated value of products increased eleven-fold, to US\$1.5 million.<sup>20</sup> The most recent ivory seizure in Sihanoukville occurred in December 2017, when almost a tonne of ivory was discovered hidden in hollowed-out logs in an abandoned shipping container that had been at Sihanoukville Port since December 2016.<sup>21</sup> The container had reportedly been imported from Mozambique by Cam Transit Import, which has been linked to other shipments of ivory smuggled into Cambodia.<sup>22</sup>



## CRIMINAL CONVERGENCE

Chinese swindles and scams are just the latest in the string of transnational criminal activity in Sihanoukville. The following case studies draw on three types of illicit businesses identified in Sihanoukville between 2018 and 2022. While these are not strictly environmental crimes as such, they provide vital data for understanding the modes and personalities behind digitally enabled criminal behaviour in present-day Sihanoukville. The compounding convergence between wildlife trafficking, people and drug smuggling, and more commonplace internet scam rings in Cambodia means that unravelling the playbook for one will inevitably reveal aspects of another.

### Illicit financial flows link Sihanoukville to Myanmar's war economies

Threads from Sihanoukville extend as far as the remote corners of the Sino-Myanmar border region. Chinese court materials relating to a multi-site online casino venture running from 2014 to 2019 were released to the public domain in 2021.<sup>23</sup> Defendant Wang Lianchun led a network of online casinos (known as the Crown Cash Network),<sup>24</sup> with the headquarters rotating between Myanmar's Kokang Administrative Zone and Sihanoukville.

Kokang<sup>25</sup> is one of Myanmar's most notorious zones for narcotics, weapons and warfare, and home to many secondary illicit businesses. The region is encircled by the northern reaches of Shan State and Kachin State – ground zero for Myanmar's prolific wildlife-smuggling routes. With a predominantly Han Chinese community, Kokang's political economy is presided over by three key families: the Lius, the Bais and the Weis.<sup>26</sup> The families are deeply embedded in Kokang's military-industrial complex, with active roles in the ongoing conflict in the region through leadership of and core supply to numerous militia groups. The leading Kokang conglomerates are fronted by hotels and casino businesses, and have physical presences in the downtown area.<sup>27</sup>

Court documents from the Chinese authorities' investigation into the Crown Cash Network reveal how Kokang online casinos intersect with Sihanoukville businesses. Wang Lianchun, a Chinese national, recruited over 50 Chinese staff to facilitate massive bets on numerous online portals.<sup>28</sup> Operational headquarters were established in Kokang, but as military conflicts escalated in the area, the team moved to Sihanoukville. Court documents reveal that the core team moved between Kokang and Sihanoukville between 2014 and 2019. The group located gamblers through WeChat and QQ, where

Sihanoukville businesses have been linked to a transnational casino cartel based in Myanmar. Shown here is the Fully Light International hotel in Myanmar. Photo: Fully Light International's Facebook page



the Crown Cash Network posted advertisements and curated chat groups to attract new clients and engage existing ones. During a high-intensity period between January 2017 to July 2018, the business attracted over 4 billion Renminbi (RMB) (US\$683 million) in bets.<sup>29</sup> Gamblers could bet on sport, notably basketball games (NBA) and football matches (European leagues), participate in traditional casino games such as baccarat, and enter lotteries, including the Hong Kong Jockey Club's 'Mark Six' lottery.

The Crown Cash Network was snared in a lengthy campaign initiated by China's Quanzhou Public Security Department, which caught staff members attempting to travel between Kunming (China's Yunnan province) and Sihanoukville in 2018. A report published in Xinhua<sup>30</sup> reveals how the Crown Cash Network was deeply anchored in 'industrial scale' money-laundering operations. The Public Security representative commented how Crown Cash needed to attract genuine punters to enable the money laundering to work:

Criminal gangs send their own bookmakers to set up gambling tables. The more players that participate and the more bets they make, the better the advantage of the bookmakers. Only by accepting bets normally will they make a steady profit.<sup>31</sup>

## Internet parks as criminal enclaves

A sinister underbelly to internet-scramming groups throughout pandemic-ridden Sihanoukville has emerged in numerous threads of English- and Chinese-language reporting in 2021 and 2022. Known colloquially in Chinese as 'internet investment parks',<sup>33</sup> these businesses lure workers from within Sihanoukville and elsewhere in South East Asia to

Wang Lianchun's links to Kokang business elites are difficult to disentangle. The Crown Cash Network's Kokang-Sihanoukville threads mirror the regional spread of the Kokang empires, Baisheng Group and Fully Light Group, who also have presences in Sihanoukville.<sup>32</sup> The majority of the defendants in the Crown Cash Network case were from Fujian Province, suggesting either that the Kokang conglomerates spread their interests deep into mainland China, or that Kokang is simply an attractive and facilitative space for enterprising casino operators to establish themselves in. Wang's Kokang networks notwithstanding, the repeated instances of massive money-laundering activities that link Sihanoukville to Myanmar's most lawless and black-market frontier areas clearly indicate the existence of substantial flows of people, goods and connections between the two.

Considering the Kokang region's enduring war economy and proximity to poaching sites in remote northern Myanmar, it is more than likely that the Crown Cash Network served not only as a high-intensity betting business, but potentially a money-laundering mechanism for smuggling routes linked with Kokang and Sihanoukville.

run investment scams over the internet. In a number of particularly bleak cases, workers were allegedly subjected to slavery-like conditions, with one man claiming he was kidnapped and sold into slavery, with blood drawn from his body against his will. The worker revealed to the press the endemic violence and layers of power at play in the 'parks':



© JHorrocks via Getty Images

In every company, there are people who have been detained, beaten and abused. I am very lucky to be able to escape. The reason why I don't specifically mention this kind person [who helped me] is because they [the leaders of the park] can easily find this person if I tell the media. I have to think about their safety, as these people are very powerful in exacting revenge.<sup>34</sup>

As one informant revealed in the Chinese media, these businesses are too numerous to be ignored in Sihanoukville:

There are more than 30 000 Chinese people in Sihanoukville now, most of them are in various large and small internet investment parks [...]. There are at least 60 parks in Sihanoukville, and some are hidden in urban hotels. Small parks generally have 200–300 people, while large ones have thousands.<sup>35</sup>

Similar tactics were referred to by reporters investigating Try Pheap's Thmor Da SEZ, in a compound run by a group with alleged direct links to logging and timber-smuggling operations.<sup>36</sup> Chinese workers were enticed to work at the compound under the promise of well-paid jobs, but were swiftly subjected to forced labour and imprisonment. The overlap between environmental crime, human trafficking and online fraud in this example indicates that these relatively new, rapidly expanding, and starkly exploitative businesses are likely to be conducted by experienced and credentialled criminal actors rather than amateur or opportunistic players. The mirroring of operating styles and commercial focus (virtually enabled investment scams) from Sihanoukville to Pursat Province indicates that the 'parks' are linked by networks of expertise and are most likely to be embedded in a deeper, diversified ecosystem that deploys online scams as one of many money-making tools.

## Scammers and cryptocurrencies

PlusToken was a cryptocurrency platform-based investment fraud scheme, attracting between US\$2 billion and US\$3 billion worth of cryptocurrency transactions,<sup>37</sup> defrauding an estimated 3 million people.<sup>38</sup> The PlusToken scammers used Sihanoukville as a base to avoid legal scrutiny.

The territory between organized crime and scam artistry can be a muddy place. The convoluted world of cryptocurrencies is an under-discussed but essential component to mapping contemporary hubs operating in the shadowlands of the state. Cryptocurrencies are a popular method for organized-crime operators to finalize transactions for the buying and selling of black-market products. They are also a fertile gathering ground for scammers, traders and crafty opportunists.

From January to June 2019, Sihanoukville served as the operational headquarters of a multi-billion-dollar Ponzi scheme. The breadth and depth of the scam indicates that at least for the first half of 2019, Sihanoukville was an attractive destination for Chinese scammers fleeing the long arm of law enforcement.

An appendix of transactions identifies 27 accounts on the blockchain linked to PlusToken, with 'an undeniable relationship with cybercrime'.<sup>39</sup> The PlusToken platform was used to trade eight kinds of virtual tokens – namely, Bitcoin, BitCash, Dark Shiba, Dogecoin, Litecoin, Ethereum, Pomelo and Ruibo.<sup>40</sup> PlusToken picked up from the tactics of earlier cons, such as Kunming's Fanya Metal Exchange (2011–2015)<sup>41</sup> and Anhui's Ezubao (2014–2015),<sup>42</sup> applying a crypto-driven flair.

PlusToken originated in China but moved their customer services and coin-dealing team to Sihanoukville in January 2019, in an attempt to avoid legal action. Executive Bo Chen (not to be confused with Chen Bo of Cambodia Airways) formed part of the team who relocated to Cambodia.<sup>43</sup> The

relocation of both the customer-service team and the coin-dealing team suggests that Sihanoukville offered lucrative sales and sales-support opportunities for a business with nodes in nearby Vietnam, Malaysia and further afield in Vanuatu.

As enforcement loomed, Bo Chen cashed out nearly US\$20 million to buy properties and luxury cars in the local economy. Chinese reporting indicates that a portion of PlusToken cash-outs entered the Cambodian real-estate market. One article links seven apartments in Phnom Penh, RMB14.6 million (US\$2.2 million) worth of 'land development, construction, and operations in Sihanoukville' and RMB1.5 million (US\$226 000) of investment in Baomai Entertainment City, also in Sihanoukville, to PlusToken scammers.<sup>44</sup>

The PlusToken team were eventually pursued by a global police taskforce led by the Ministry of Public Security in June 2019, which cooperated with local police in Vanuatu, Cambodia, Vietnam and Malaysia, and repatriated 27 suspects living abroad back to China.<sup>45</sup> Fourteen defendants were convicted by a court in Yancheng, China, for 'organising and leading pyramid selling activities'.<sup>46</sup>

There is evidently much more to disentangle from the PlusToken saga, but two lines of inquiry are relevant. The first is the centrality of Sihanoukville in the late-stage operational structure: namely, how the destination arose as an attractive place for the fast-moving PlusToken team, and the networks they relied upon, to rapidly ramp-up operations in early 2019. The second is the proximity to a swift and robust post-PlusToken government crackdown on online gambling in Sihanoukville. The genesis of this crackdown, and surrounding political circumstances on the Chinese and Cambodian sides, has remained a mystery to analysts. It could be that the scale of the PlusToken scandal, and the embarrassment it caused both the Chinese and Cambodian governments, was a factor in the adjacent regulatory changes. ■





## GEOGRAPHY AND INFRASTRUCTURE AS ENABLERS OF CRIMINAL ENTERPRISE

**S**ihanoukville's deep-water port enables the movement of large quantities of commodities that can be intermingled with otherwise licit goods. Until the collapse of French Indochina, Cambodia relied on port access via Saigon and Ha Tien. During the height of colonial administration, Saigon was the Mekong's busiest trading gateway, and Ha Tien offered easy access to Phnom Penh.<sup>47</sup> As a new and independent future beckoned, French funding supported a critical infrastructure project for the young nation in Sihanoukville. The port, which commenced operations in the late 1950s, was designed to service global-standard commercial shipping containers and cargo ships, and open up new routes.<sup>48</sup> The port seemingly invites illicit maritime trade as much as it facilitates legitimate commerce, however. As a 2017 report by the United for Wildlife Transport Taskforce highlighted:

The port at Sihanoukville, Cambodia, is highly vulnerable to illicit wildlife trafficking activity, in particular related to the illegal transit of elephant ivory, pangolin, timber, and rhino horn.<sup>49</sup>

The sea port continues to facilitate shipments of large quantities of synthetic drugs, including methamphetamine and cocaine.<sup>50</sup>

Sihanoukville Special Economic Zone (SSEZ) is located 12 kilometres inland of Sihanoukville Port and 3 kilometres from Sihanouk International Airport.<sup>51</sup> The SSEZ means there is less oversight and checks on containers moving across national borders. The proximity of the SSEZ to other key features of a hub for illicit activity makes it an important aspect of the landscape for further investigation. Economic development zones (EDZs) and SEZs, regardless of their location, are vulnerable to illicit activity. By virtue of trying to reduce barriers to trade and by accelerating clearance and customs procedures, SEZs often provide less oversight and inspection of transported goods and are therefore used by groups to transport illicit goods.<sup>52</sup> As one report notes:

In the Mekong region, many EDZs are vulnerable to exploitation for the trafficking of illicit goods such as drugs and wildlife products, while others have served as vehicles for acts of public corruption. The construction of EDZs has also resulted in cases of population displacement, environmental degradation, and conflict over land use.<sup>53</sup>

The SSEZ was established in 2008 and is jointly operated by Jiangsu Taihu Cambodia International Economic Cooperation Investment Co. Ltd (a Chinese conglomerate) and Cambodia International Investment Development Group Co. Ltd (a Cambodian conglomerate owned by Cambodian People's Party, CPP, Senator Lau Meng Khin and his wife Yeay Phu, aka Choeung Sopheap).<sup>54</sup> The SSEZ is one of at least 12 SEZs in Cambodia assigned to business tycoons with close links to Prime Minister Hun Sen and his immediate family.<sup>55</sup>

The ownership structure of the SSEZ and dominance of Chinese firms hosted in the zone illustrate the significant role of Chinese commercial interests in Sihanoukville. But it also gives light to the occasionally aligned relationship between Chinese commercial interests and the Chinese government and senior Chinese officials.

The SSEZ is a key pillar of close Sino-Cambodian ties. While the establishment of SSEZ pre-dates Xi Jinping's announcement of the BRI by about five years, the project has been co-opted and retrospectively supported as BRI-associated.<sup>56</sup> The SSEZ has come to represent strengthening commercial ties between China and Cambodia, hosting a stream of visits from Chinese officials, including Zhou Jiye, Vice Chairman of the Jiangsu Provincial Political Consultative Conference in 2020.<sup>57</sup> The SSEZ website proudly records its role facilitating closer Sino-Cambodian ties, including press statements on high-level visits to the SSEZ.<sup>58</sup> According to one report, a key component of the SSEZ has been close ties with Chinese enforcement agencies, such as the Chair of the Jiangsu Hongdu Group facilitating exchanges between Chinese and Cambodian enforcement agencies.<sup>59</sup>

Real estate, SEZs and casinos create a perfect storm for illicit flows. Property investments and the casino industry enable the laundering of large sums of money obtained through illegal means. According to an Australian enforcement official, 'casinos have long been known as potentially vulnerable to misuse by transnational organized crime'.<sup>60</sup> Indeed, the UN Office on Drugs and Crime has warned that the proliferation of casino licences in Sihanoukville has coincided with a surge in criminal activity that is largely unmonitored and unpoliced.<sup>61</sup> These include kidnappings, robberies and other crimes perpetrated by Chinese gangsters.<sup>62</sup>

Casinos are a relatively new feature of Cambodia's landscape. The casino industry in Sihanoukville, for example, has only been active since 2015. NagaWorld received Cambodia's first casino licence in 1995, with a 50-year exclusive permit to operate a casino in Phnom Penh extending to 2045.<sup>63</sup> These sites remain legally out of bounds for local Cambodian participation, so the entire existence of these businesses relies on the re-stimulation of the local tourism sector. The rapid growth of the casino industry in Sihanoukville from 2015 saw a swift increase in the number of casinos being built and registered in the coastal city. The city now boasts over 50 registered casinos,<sup>64</sup> many of which are owned and run by Chinese nationals.<sup>65</sup> The advent of COVID-19 and a domestic ban on online gambling effective from late 2019 has put a dampener on the industry, but is unlikely to spell the end for casinos in Sihanoukville.<sup>66</sup>

The rise of Sihanoukville's casino industry proves the significance of the convergence of the key ingredients for a hub for transnational organized crime – access to trading routes, access to illicit commodities, an enabling environment as a consequence of widespread state corruption, and access to money laundering (in the form of both the casino industry and burgeoning property development in and around Sihanoukville). In other words, the 'rapidly expanding network of casinos, many of which are lightly or not at all regulated, has emerged as a perfect partner or offshoot industry for organized crime groups that need to launder large volumes of illicit money'.<sup>67</sup>

It is likely that large-scale real-estate developments combine money laundering and capital flight with irresponsible land use. Sihanoukville New Town, a massive development project, is a site of murky investment flows, hyped-up development promises, ecotourism greenwashing and red-flag environmental processes.<sup>68</sup> The massive capital flows around the development site, numbering billions of US dollars, are potential domains of money laundering and other shadowy financing techniques.<sup>69</sup>

Sihanoukville New Town is a project steered by two groups: Beijing-Cambodia Land and Lixin Group. Lixin Group established itself in Phnom Penh in 2017.<sup>70</sup> Lixin Development is a joint venture between Lixin Group and Hun To, Hun Sen's nephew.<sup>71</sup> Lixin Development operates on land secured by Hun To's company, Evergreen Success and Asia Resort Development Co. Ltd. Evergreen secured an economic land concession from the Cambodian government for over 2000 hectares in 2008.<sup>72</sup> Hun To is well known to Australian authorities, who pursued him for allegedly concealing heroin in Cambodian timber in a global organized-crime crackdown (he was eventually questioned but not charged).<sup>73</sup> Presumably, this shipment was exported from the Sihanoukville port. Relevant to this work, Hun To also has a chequered history with illegal-logging scandals between Cambodia and Vietnam. Hun To remains as one of two shareholders for the Lixin entity; the other is Taiwanese businessman Xu Mingzhao.<sup>74</sup>

Beijing-Cambodia Land was launched in April 2018 as an international investment company. Xue Manzi is listed as one of the directors and is a major shareholder. The other four are Wang Yingxian, Wang Tsung-Lung, Wang Mudi and Ou Chengxiao ('Ou Shen'). Wang Mudi and Ou Shen are the public faces of the company. As investment 'influencers' in mainland China, the pair are active interlocutors on investment trends and get-rich schemes, with a sizeable and loyal online following.<sup>75</sup> One year after the company's formation, project plans for the New Town development were publicly released. A Chinese-language news article on China Economic Development Network indicates the following timeline:<sup>76</sup>

- July 2019: Ou Shen and Wang Mudi are personal guests of Hun Sen at his private residence.
- August 2019: Wang Mudi attends the Sihanoukville Business Development Summit, which is also attended by Hun To, the Governor of Sihanoukville Province and the Minister for Environmental Protection. The New Town project is officially announced.
- October 2019: At a military parade, Ou Shen and Wang Mudi are awarded the Cambodia-China Medal of Friendship.
- December 2019: Ou Shen and the company 'land team' discuss planning, development and road construction for the New Town development with the Cambodian Minister of Environmental Protection.
- July 2020: The Ministry of Environmental Protection publicly confirms the status of the land as a long-term lease, meaning that the land can be developed at industrial-scale as part of the objective of economic growth.<sup>77</sup>

Beneath these public indications of formal cooperation and legitimate operations, English- and Chinese-language investigations suggest that the New Town development project is tainted by environmental damage and poor investor relations.<sup>78</sup> China Dialogue suggested that the Lixin-led construction project is rife with environmental issues, including illegal logging and wetland destruction.<sup>79</sup>



## ELITE CAPTURE AND WEAK LAW ENFORCEMENT

Cambodia's central position in South East Asia, its dollarized economy and access to global trade provides fertile ground for transnational organized crime. With a variety of porous land borders to choose from – including Vietnam, Laos and Thailand – a well-serviced but inconsistently supervised port, and two international airports within driving distance,<sup>80</sup> it is no surprise that organized-criminal groups profit from the city's convenient geography and infrastructure. State actors also reportedly derive benefit from organized crime activities.<sup>81</sup>

Official data indicates consistent and rapid economic growth over the past 20 years. GDP per capita in 2019 was US\$1 643, representing a more than five-fold increase from 1999, when it was US\$296.<sup>82</sup> According to the World Bank, Cambodia reached lower-middle-income status in 2015. Despite these economic gains and a significant reduction in poverty in the country, transparency and accountability issues continue to plague the government and public service. Cambodia was ranked 160 of 180 countries in Transparency International's 2020 Corruption Perception Index, with 1 being least corrupt and 180 most corrupt.<sup>83</sup>

Compared to equivalent criminal hubs in Asia, which tend to be located in harder-to-access highland regions, in territories contested or defended by armed groups,<sup>84</sup> Sihanoukville is well connected to the national capital and frequented by political elites. Reflecting on the involvement of Cambodia's *oknha* (tycoon) class in environmental crime, an expert on conservation in Cambodia explained that military actors and *oknha* do not generally have multiple illicit commodities in their bag, but tend to focus on one commodity, in what appears to be an unspoken agreement on areas of control.<sup>85</sup> As such, Sihanoukville presents a different model for criminal organization, with close links to the Cambodian *oknha* class and a level of acceptance from the central government in Phnom Penh.

## The role of Cambodia's *oknha*

Cambodia's *oknha* class play a pivotal role in facilitating deals in Sihanoukville, especially with Chinese investment. A class of wealthy individuals with intricate ties to Cambodia's ruling class and ruling family, *oknha* act as near-exclusive gatekeepers to foreign investment in Sihanoukville. *Oknha* generally boast access to political elites in the CPP and, in numerous cases, to Hun Sen directly. They often also have close personal ties with Chinese investors, and ancestral ties to China, Chinese-language abilities and a dexterous ethnic identity.<sup>86</sup>

Wealth in Cambodia is concentrated in and around Cambodia's capital, Phnom Penh, and the same goes for most *oknhas'* power. *Oknha* with substantial business interests in the provinces – such as Ly Yong Phat in Koh Kong and Try Pheap in Pursat – exercise near-absolute power over the territory, and generally play roles in the provision of public services and the maintenance of law and order through privately owned security firms. Curiously, there is no lead tycoon in Preah Sihanouk province, in which Sihanoukville is situated, with numerous *oknha* operating alongside one another. The contemporary explanation for this may be linked to the city's embeddedness in cross-border public infrastructure investments. Sihanoukville is a politically interesting, and possibly unique, case in Cambodia. Sihanoukville's

inclusion in the BRI takes the responsibility of financing local development and public works off the shoulders of eligible *oknha*, and into the domain of Chinese state-backed projects. Under these conditions, *oknha* are competing with each other for opportunities, rather than vertically dispensing political and financial capital themselves.

Cambodia's tycoon class is easily identifiable, with many of its members receiving the national honorific title of *oknha*, or the even more prestigious *neak oknha*. The government awards these titles by royal decree to individuals who have contributed at least US\$500 000 to the government coffers.<sup>87</sup> In recent years, the number of people with *oknha* titles has surged, but the title has also been impacted by a number of very public incidents. Some tycoons with the *oknha* or *neak oknha* titles have been caught misusing their titles and engaging in illicit activities and environmental crimes, including land grabbing, illegal logging, people smuggling, the destruction of natural resources and drug trafficking.<sup>88</sup> Notable reports include logging and timber-smuggling scandals in the Thmor Da SEZ involving US-sanctioned Try Pheap,<sup>89</sup> Ly Yong Phat's record of reported sand mining and land grabs in Koh Kong,<sup>90</sup> and Sam Ol's convictions for illegal logging in Monduliri Province.<sup>91</sup> ■

In Sihanoukville, a number of tycoons have entered the fray to facilitate major investments from, typically, Chinese businessmen. As one interviewee explained:

Entrepreneurs and big real estate is mostly private capital. Investors are in cahoots with the usual Cambodian tycoon actors. For a major real estate deal you are going to need the support of the PM or PM's family. Then different actors have different connections. There are different tycoon state interests, and they are usually overlapping. All of the kids of tycoons are getting involved now in business.<sup>92</sup>

In Sihanoukville, the most common collaborations between *oknha* and Chinese capital occur in real estate. One analyst based in Cambodia explained that for these joint ventures,

*oknha* 'are not putting capital in, they're putting in land, which is quite often grabbed or acquired'.<sup>93</sup> He concluded that *oknha* are seeing huge gains on their contribution, getting multiplied returns on the initial price that they had paid for the land.<sup>94</sup> But it was emphasized that the real value of transacting with tycoons is having access to Hun Sen, his family, and other political elites.

In our research, a number of tycoons emerged with significant interests in Sihanoukville, including ownership of casinos and entertainment venues, property developments, and part-ownership of the special economic zone. But, as one interviewee said, 'the key players keep changing, with new faces on the scene'.<sup>95</sup>



Furthermore, it is difficult to identify all of the interests and identities of importance in Sihanoukville, with many shrouded in secrecy or outside of public view, as a consequence of limited government and corporate reporting mechanisms and record keeping. The regular deals conducted between tycoons and government figures run on verbal promises and handshakes, with very few making it into documentation. As one expert explained, reflecting on tycoon deals and arrangements with the government, 'it is very difficult to know exactly what [is happening], as nothing is written down'.<sup>96</sup>

Prime Minister Hun Sen is at the centre of Cambodia's complex patronage network. Cambodia's national politics and the central role of Hun Sen and his close network are critical for understanding the political economy of Sihanoukville.<sup>97</sup> The prime minister enjoys valuable support from the Chinese government and the country's economic model is predicated on strong relationships between Cambodian business tycoons close to Hun Sen with access to and relationships with a wide range of Chinese businesses.

Hun Sen's dominance of Cambodian politics and the increasing influence of China have their roots in Cambodia's post-war history. After Pol Pot took Phnom Penh in 1975, the Khmer Rouge reigned until 1979, followed by a brutal civil-war period lasting until Pol Pot's death in 1998. Cambodia was left to rebuild a war-ravaged country and a depleted economy.

Cambodia's reconstruction and development agenda since the end of the civil war has been heavily reliant on international aid and donors.<sup>98</sup> In 2016, Cambodia received US\$729 million in Official Development Assistance (ODA), making up 28% of the government's budget, excluding assistance from China.<sup>99</sup> ODA constituted 61% of the government's budget in 2010, and peaked at US\$984 million in 2019.<sup>100</sup> High-level aggregated data shows that by 2018, Chinese foreign investment in Cambodia accounted for 51% of total foreign investment (\$US6.45 billion) – up from just 30% in 2016.<sup>101</sup> In the same year, Cambodia's total debt was US\$6.9 billion (28.6% of GDP), with 48.4% of that debt owed to China.<sup>102</sup>

Following the arrival of the UN in Cambodia in 1992, the country has embraced a huge influx of foreign money. Initially, international donors were largely from the West (the US, France and Australia, among others). However, their accompanying conditions around democratic transition and the rise of a less ideologically-driven alternative led Hun Sen to grow increasingly close to China.<sup>103</sup> By 2010, Hun Sen's Cambodia was 'eager to pursue "hard" infrastructure development over [...] human rights, democratic reform [and] good governance – [reforms] that would undermine [the CPP's] hold on power'.<sup>104</sup> Hun Sen's infrastructure-led development culminated in Cambodia's role as an early and enthusiastic adopter of BRI financing and projects.<sup>105</sup>

Hun Sen had once despised China.<sup>106</sup> But with China now providing the bulk of funding for Cambodia's development, without the moral accompaniments demanded by the West, Hun Sen has grown closer to China. Hun Sen has become a 'willing partner' and Cambodia an active participant in the 'Chinese-led "community of common destiny"'.<sup>107</sup> Indeed, Cambodia now enjoys the position of one of China's closest friends in South East Asia. Moreover, Cambodia has become a reliable mouthpiece for Chinese strategic interests in ASEAN forums, a dynamic under heightened international scrutiny with Cambodia's appointment to the ASEAN chair in 2022.<sup>108</sup>

The rise of China's influence has also allowed Hun Sen to consolidate his control over the Cambodian state and move further away from the democratic governance reforms that Western parties had tried to implement in the 1990s.

Many commentators find it necessary to frame Cambodia as being in a debt trap or else dependent on Foreign Direct Investment, but expert analysts consider that Cambodia's experienced political-donor managers see the advantage of China as simply another external financier. 'Authorities in Cambodia,' explained an expert, 'have had 30 years of practice of playing along with external expectations and not changing anything'.<sup>109</sup> Foreign aid makes up half of Cambodia's national budget, yet donors seem to have little influence over the country's political development.<sup>110</sup>

## Flows of capital and people from China

The distorting effects that Chinese organized-criminal dynamics have on Sihanoukville's economy and society are well publicized. In 2018, the then-governor of Preah Sihanouk province, Yun Min, wrote a formal letter to Cambodia's Interior Ministry, noting that the city provided 'opportunities for Chinese mafia to come in and commit various crimes and kidnap Chinese investors, causing insecurity in the province'.<sup>111</sup> Sihanoukville, according to an expert on Cambodian politics, is part of a 'broader pattern of illegality', with 'Chinese organized crime dominant and having a massively distorting effect on the local economy'.<sup>112</sup> The expert noted that there is a blurred line between crime and recreation, remarking that Sihanoukville is 'edgier' than other Asian gambling destinations (such as Macao) because of access to 'wildlife and sex work'.<sup>113</sup> As the case studies in this report reveal, the intensification of violence and mafia-style activity in Sihanoukville has turned away large numbers of mainstream gamblers and left two clear categories of actors remaining: those who cannot afford to leave and those radicalized enough to stay.

In 2019, Chinese tourism to Cambodia peaked. After the first nine months of 2019, Chinese visitors had already surpassed the 2018 visitor total by several hundred thousand visitors (reaching 1.8 million).<sup>114</sup> An increase in the number of Chinese tourists saw an overall rise in visitor numbers to Phnom Penh and Sihanoukville over Angkor Archaeological Park (which experienced a reduction), which, according to experts, 'signifie[d] the popularity of the gambling industry in Sihanoukville among Chinese tourists'.<sup>115</sup>

The Chinese government views criminal activity by Chinese-associated gangs and groups in Sihanoukville as detrimental to its reputation. There is growing frustration among researchers and analysts in Cambodia, and particularly in Sihanoukville, with reporting on China's role in Cambodia that inelegantly replays the view that 'China' and 'Chinese actors' together operate as a monolithic, coordinated and state-backed entity. The reality is far more complex. A commonly held view among interviewees was that Sihanoukville cannot be explained away as a Chinese state-backed development that disregards any associated criminal activity. Rather, their view was that the Chinese government is actively trying to crack down on criminality in Cambodia associated with Chinese gangs and questionable Chinese investment flows.

Interviewees tended to align on two theories regarding why the Chinese government is trying to tackle criminality in Cambodia. They regarded China's actions as a function of both looking to protect its reputation (and to subdue anti-China sentiment among Cambodia's local population) and to tackle online-gambling operations based in Cambodia that were targeting Chinese consumers in mainland China, where gambling is illegal.

The prevailing view from interviews is that the Chinese government has been making serious attempts to address Chinese-linked criminality in Cambodia, but that these attempts are largely being hampered by ineffectual or unwilling local officials in Cambodia. Interviewees suggested that analysis of local gatekeepers – primarily the *oknhas* – is more pertinent to understanding environmental crime in Sihanoukville, noting too that there are a number of Chinese-born, naturalized Cambodian citizens who are designated *oknhas*. These include Chinese-born Chen Zhi, a business associate of the Interior Minister, Sar Kheng, as well as his son, Education Secretary Sar Sokha. Chen Zhi's business interests include Jinbei Group and Prince Real Estate, a portfolio that extends to the lavish Prince Times Hotel in Sihanoukville. Chen Zhi's naturalization as a Cambodian citizen in 2014, and subsequent reports of acquired Cypriot citizenship,<sup>116</sup> potentially places him in contravention of China's prohibitions on dual nationality. However, Cambodian nationality is a required measure for purchasing Cambodian land without reliance on other partners.

Weak law enforcement in Sihanoukville allows criminal activity to operate largely unchecked. Expert perspectives on Cambodian enforcement converge on the idea of widespread official acquiescence towards criminality in Sihanoukville. The view is that environmental crime, and especially the wildlife trade, is considered by law enforcement and government officials as far less serious than other crimes that were both rampant and largely unpunished in the seaside town. The absence of effective enforcement and a culture of elite impunity contribute to Sihanoukville's sustained categorization as a hub for environmental crime.

An expert on Cambodian politics explained that 'Cambodian authorities are aware of the issues around Sihanoukville but the question is about their "capacity to rein it in" especially where there are 'specific individuals, local officials and local

**Real estate and land development in Sihanoukville are reportedly used to launder money.**

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powerbrokers.<sup>117</sup> In his view, '[for] Hun Sen, it is easier to co-opt these powerbrokers, as there is constant jockeying between centre and periphery, with arrangements made as deals between individuals'.<sup>118</sup> He says that the 'system as a whole benefits from corrupt flows' and that there is no interest in reforming the system, but occasional efforts to target a specific police commander or tycoon.<sup>119</sup>

Enforcement responsibility sits within the Cambodian Justice Ministry, where there are multiple police services, a judicial police and the gendarmerie, as well as the Cambodian National Police Agency. Within the enforcement apparatus exist competitive dynamics, including with other security services, such as the army. The gendarmerie is a French-formed and -trained unit, now roughly 10 000 strong. Another unit of personal bodyguards, numbering over 20 000, serves as a praetorian guard for Hun Sen, with a core business of 'preserving the regime'.<sup>120</sup>

Despite these weighty headcounts, the political will to act on severe labour and rights issues in Sihanoukville has consistently been found wanting. As foreshadowed earlier in this report, powerful players benefit from enforcement's blind eye in return for their services. Just as a well-connected lion owner had his case thrown out by Hun Sen himself, manifestly illicit businesses such as the notorious 'China Project' operated in plain sight with negligible attention from the authorities until extensive investigative reporting went public.<sup>121</sup>

A Cambodian researcher mentioned that 'many Chinese are deported for crimes like extortion, scams, [and] hassling the public'.<sup>122</sup> He talked about blackmail as being a key risk for anybody engaging with Chinese-dominated industries. He further explained that 'major crimes are committed by people from mainland China [...] with a wealth disparity now getting

bigger and so the elite are worried about hurting their own pockets'. In his terms, 'the government is poor but ministers and senior officials are asset rich'. In this respect, he argues that 'the Cambodian government and Chinese business live on each other'. The pattern is one where they tend to 'only catch the small fish'.<sup>123</sup>

Until a series of well-publicized scandals entered Cambodian and Chinese media in early 2022, Chinese enforcement branches were resorting to innovative ways to monitor malfeasance by Chinese nationals in-country. One analyst remarked that Chinese diplomatic staff in Sihanoukville were hitting 'up against a brick wall' with their Cambodian enforcement contacts and, as of 2021, were beginning to meet more openly and actively with civil society.<sup>124</sup> These meetings are positioned by the Chinese side as establishing better information-sharing channels between on-the-ground experts and Chinese consular officials eager to stay engaged with countering criminality by Chinese nationals.

After public outcry about organized crime in Sihanoukville's internet parks, particularly on Chinese online forums and news pages, Chinese and Cambodian authorities made a rare showing of collaborative muscle. In a publicly reported meeting, the Director of the Overseas Chinese Affairs Office and acting head of the Chinese consulate in Sihanoukville, Hu Wei, met with the governor of Sihanoukville and the commander of the Sihanoukville gendarmerie in February 2022.<sup>125</sup> The meeting read-out drew attention to violent crimes involving Chinese citizens in Sihanoukville, with both sides pledging to cooperate on countering criminal activity. The alignment between Chinese diplomatic leadership, provincial political leadership and the critically important gendarmerie leadership suggests that a serious and concerted counter-criminal effort will transpire over 2022 through this coalition.



## POLICY IMPLICATIONS

**E**nvironmental crime in Sihanoukville has global, regional and local consequences, and necessitates similar countermeasures. Sihanoukville's role in global supply chains for environmental commodities (and for transnational organized-criminal groups) means that it is directly in international interests to support a reduction in criminal activity in the city. Regionally, Sihanoukville's interaction with casino towns in Myanmar's western borderlands and criminal hubs in the Philippines has allowed for criminal groups to quickly relocate criminal activities and move resources between locations to avoid enforcement and regulation. In Sihanoukville, crime has had a direct impact on safety and the living standards of residents.

Disrupting the political and economic structures that have established Sihanoukville as a hub for environmental and transnational organized crime is likely to be an exercise of slow, small gains in strategic areas of focus. In Sihanoukville, as with criminal hubs elsewhere, the flow of incentives and ability of actors to adapt to changing conditions has ensured that the small coastal city has been a hub of criminality for decades. This is not to be defeatist, but rather a way of positioning both the challenges and areas where policy action and international engagement can be most effective. Political-economy analysis also highlights areas for action beyond environmental-crime flows, with an understanding of which relationships between actors, infrastructure and industries require attention to address the enabling factors for environmental crime.

The points below outline areas where thoughtful and strategic engagement may help to dismantle the incentive structures in Sihanoukville that make crime thrive.

**Sihanoukville is a key hub for transnational organized crime.** Ongoing investments in Sihanoukville's port and vast investment in real estate throughout 2018–2022 indicate that Sihanoukville has been viewed as an attractive site of operations primarily by Chinese organized-criminal groups. Understanding local dynamics in Sihanoukville and the convergence of different forms of criminality has implications for regional and global law enforcement for the illicit trade in environmental commodities, but also for drug and human trafficking and money laundering.

**Without predictable and targeted enforcement, environmental crime is likely to continue to flourish in Sihanoukville.** An intricate web of interests and local politics means that it will be difficult to meaningfully engage Cambodian enforcement and government officials on issues of environmental

crime and illicit flows. The June 2021 arrests of several environmental activists are further cause for concern and illustrate the roadblocks local actors face when it comes to investigating and spotlighting environmental crime in Cambodia.<sup>126</sup> Within this context, innovative methods of investigating and reporting on environmental crime in Sihanoukville are critical.

**Sihanoukville's connections to other criminal hubs mean that a regional approach will be required to crack down on transnational organized-criminal groups and environmental crime.** Transnational organized-criminal groups are able to quickly and effectively move their operations at short notice and have shown their agility in moving between the Philippines, Sihanoukville and northern Myanmar to avoid regulatory changes and China's crackdown on online gambling.

**China has a genuine interest in tackling crime associated with Chinese individuals in South East Asia.** The most effective enforcement activities will almost certainly transpire from joint force operations between Chinese police and public security branches, acting at the invitation of the Cambodian government. The Chinese consulate is eager to collaborate on wide-ranging criminal-enforcement issues, achieving public signals of collaborative support from Sihanoukville's political and military leadership in late February 2022,<sup>127</sup> and the involvement of the Interior Minister, Sar Kheng, in March 2022.<sup>128</sup>

**Encouraging local enforcement efforts against environmental crime will require political cover, such as through Chinese embassy cooperation addressing violent criminal networks.** With a re-energized cooperative effort running through 2022 between the Chinese embassy and Sihanoukville's gendarmerie to crack down on Chinese criminal networks, a rare opportunity exists to place environmental issues on the agenda. While the Cambodian political establishment may be unwilling or unable to handle environmental crime, particularly where it involves *oknha* networks, Chinese diplomatic actors are bound to different incentives. Chinese diplomats in key BRI countries, such as Cambodia, are under mounting pressure from Beijing to clean up the image of Chinese infrastructure projects and showcase projects that are safe, professional and environmentally responsible. Tactful engagement with Chinese diplomats in Cambodia may help elevate environmental issues.

**Further identification and investigation of hubs will help develop the policy response to environmental crime.** Lessons from Sihanoukville are likely to be instructive for further comparative study of other hubs for developing regional and global responses to combat environmental crime.





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