

Combatting Money Laundering in Southeast Asian and Australian Casinos



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Abstract Money laundering in Southeast Asian and Australian casinos is examined in the context of the East Asian transnational crime system. Transnational crime is growing rapidly in the region, particularly in the weakly-governed Mekong region (Myanmar, Cambodia and Laos). Casinos facilitate the operation of this crime system. A key difficulty in combatting money laundering in casinos in the region is that governments are conflicted between their desire to reduce crime and money laundering with their economic strategy of maximising employment, international tourism and taxation associated with casinos. National and state governments need to prioritise the control of money laundering and transnational crime over their economic development goals. Failure to follow this step is likely to lead to a growing spiral of crime in the Asia-Pacific region.

1 Introduction

This paper considers two issues associated with money laundering in casinos in Southeast Asia and Australia. Firstly, money laundering in casinos is examined in the context of the East Asian transnational crime system. Casinos play a significant role in facilitating this crime system's operation by laundering illicit profits.

Secondly, the paper considers a key difficulty in combatting money laundering in casinos: governments in Australia and Southeast Asia are conflicted between their desire on the one hand to reduce crime and money laundering. On the other hand, government have pursued an economic strategy which maximises employment, international tourism and taxation associated with casinos. This conflict in government's goals is at the heart of regulatory difficulties associated with combatting crime in the region's casinos.

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Money laundering in Southeast Asian and Australian casinos is set in the context of facilitating the operation of the East Asian transnational crime system. The nature of this transnational crime system is poorly understood, but transnational criminal groups use casinos to launder the proceeds of illegal drug sales.¹ A parallel situation was found to occur in British Columbia, Canada, where casinos were used as one means of laundering the proceeds of illegal drug sales in the province.²

Illegal drug proceeds in Southeast Asia and Australia are either spent locally or are often moved to Hong Kong/Macau, where the money is used to pay “investors” in crime syndicates or to purchase precursor chemicals for manufacturing methamphetamines in Myanmar and thus continue the operation of the transnational crime system.³

Government regulation of money laundering in Australian and Southeast Asian casinos has been poor. State government inquiries into money laundering in Australian casinos found that casino operators failed to properly regulate their casinos and were unfit to hold their licenses.⁴ Australian casino operators largely ignored criminal activity taking place in their casinos. This activity was particularly apparent in the VIP gaming market oriented to Chinese gamblers, a market largely controlled by Macau-based junket operators many of whom were associated with Chinese criminal groups.⁵

Crime problems are even greater in the Southeast Asian casino market, with large-scale money laundering taking place in casinos, particularly in the VIP gambling market. While Singapore has reduced the problem by banning junkets, casinos in many other Southeast Asian countries are caught in a cycle of money laundering and transnational crime.⁶ Casinos are a major means of laundering the proceeds of this criminal activity.⁷

Combating money laundering in the Asia-Pacific is critical to current and future regional stability. The rapid expansion of transnational crime in the weakly-governed states in the Mekong region of Southeast Asia (Myanmar, Cambodia and Laos) is causing great concern on the part of governments throughout the Asia-Pacific region. A particular concern is the potential for money laundering and transnational crime to destabilise surrounding countries in Southeast Asia and elsewhere in the Asia-Pacific region in a complex set of spillover effects.⁸

China is concerned about the use of casinos to facilitate capital flight out of China.⁹ It is difficult to determine whether the money fleeing China is licit or illicitly

¹ UNODC (2019), p. 177.

² German (2018), pp. 33–37.

³ Langdale (2022).

⁴ Bergin (2021); Finkelstein (2021); Bell (2022), Gotterson (2022), Western Australia (2022).

⁵ Bergin (2021), pp. 298–306.

⁶ UNODC (2019, 2022a, 2023).

⁷ Douglas (2022).

⁸ Wantakan Arcado (2022).

⁹ China's ban on gambling is a cash gift to the rest of Asia (2022); Master (2020).

earned, but it violates Chinese government restrictions on Chinese citizens moving money overseas. Australian casinos have been used to facilitate Chinese capital flight¹⁰ and it is likely to be undertaken in Southeast Asian physical and online casinos as well although little evidence is publicly available.

Transnational criminal groups use a variety of techniques to launder the proceeds of transnational crime, particularly trade-based money laundering (TBML) and underground banking.¹¹ However, casinos are an important means of money laundering in poor Southeast Asian countries, since the banking and financial systems of these countries are weakly developed.¹² Casinos often function as quasi-financial institutions in these countries and are used to bypass AML regulations imposed on the formal banking and financial system.

More generally, casinos undertake various financial activities which expose them to money laundering. They accept funds on account, conduct money exchange, money transfers, foreign currency exchange, stored value services, debit card cashing facilities and cheque cashing.¹³ Austrac has argued that Crown Casino provided more than just gaming services to customers; it provided financial services that facilitate the movement of money into and out of the casino, including across international borders. These financial services are high value and high volume.¹⁴

The nature of transnational crime in the East Asian transnational crime system, as well as the role of money laundering in casinos in facilitating its operation is examined in Sect. 2. Section 3 considers means of combatting money laundering in casinos in Australia and Southeast Asia. Finally, in Sect. 4 some possible futures for casinos in the region are outlined.

2 Transnational Crime and Money Laundering in Southeast Asia

Rapid growth has taken place in transnational crime in the East Asian region, particularly in illegal drugs centred on Southeast Asia.¹⁵ The Mekong region countries of Myanmar, Laos and Cambodia are of particular concern in Southeast Asia, although the Philippines, Vietnam and Thailand are impacted by transnational crime in casinos as well. Methamphetamines production grew rapidly from 2013, as China cracked down on illicit drugs production in China. In addition, opium

¹⁰Bell (2022), p. 205.

¹¹Financial Action Task Force (2018), pp. 30–34.

¹²U.S. Department of State (2022).

¹³Financial Action Task Force (2009), p. 25.

¹⁴Austrac (2022), p. 1.

¹⁵UNODC (2019, 2022a).

production in the Golden Triangle has grown recently as well, reflecting the political unrest in Myanmar following the military coup in 2021.¹⁶

2.1 Transnational Crime and Money Laundering as an Interlocking System

Transnational crime and money laundering in the East Asian region is an interlocking system, with changes in one country having flow-on impacts on other countries. Money laundering networks in the region are a key component of East Asian transnational crime networks and allow criminal groups to pay expenses to suppliers, distributors and corrupt government officials. In addition, money laundering networks allow the proceeds of crime to be remitted to “investors” in criminal syndicates, often located in Hong Kong and Macau.¹⁷ The inability or unwillingness of governments in the region to effectively control the rapidly growing casino industry provides criminal groups with a convenient way to launder huge amounts of money into the formal economy.¹⁸

2.2 Displacement Effects

A systems perspective is important in understanding the nature of displacement effects operating in transnational crime. The crackdown on methamphetamines production in China pushed production out of China to weakly-regulated Southeast Asian countries, particularly Mekong region countries of Myanmar, Laos and Cambodia.¹⁹

The displacement effect has reshaped the illegal drug and wildlife trafficking industries in the region, with methamphetamines production skyrocketing in Shan State in Myanmar and more illegal wildlife trafficking and marketing taking place in Southeast Asia.²⁰ The displacement effect has had major flow-on effects on the demand for money laundering in the region, since a significant percentage of the proceeds of these crimes is recycled through the region’s rapidly-expanding network of physical and online casinos.²¹

¹⁶UNODC (2023); Doyle (2023).

¹⁷UNODC (2019), p. 177; CNN (2018).

¹⁸Douglas (2019).

¹⁹Douglas (2019); UNODC (2019); Farrelly et al. (2022), p. 10.

²⁰Beech and Saw (2020).

²¹Douglas (2019, 2022).

2.3 *Spillover Effects*

A systems perspective is also important in spillover effects from transnational crime in the Mekong region, which is affecting surrounding countries in Southeast Asia, as well as the rest of the Asia-Pacific region. These spillover effects are likely to contribute to the growth of corruption and crime and over time destabilise the region by weakening government institutions.

2.4 *Thailand Case Study*

Thailand and other Southeast Asian countries face major crime overspill problems stemming from the rise of transnational crime in the Mekong countries of Myanmar, Laos and Cambodia. In particular, the overspill of crime into Thailand from Myanmar is creating significant problems.²² Casinos are banned in Thailand, but illegal casinos operated by Chinese criminal groups are being used to launder money from illegal drug trafficking and other illicit activities.²³ While the Thai government has closed illegal online gambling operators, new groups are continually springing up.²⁴

A major scandal in Thailand emerged in 2022 which has exposed extensive corruption on the part of senior police officers and politicians. Chinese criminal groups have been involved in trafficking illegal drugs from Myanmar through Thailand, as well as being involved in illegal migration of Chinese to Thailand, property development and money laundering.²⁵ illegal casinos were used in laundering the proceeds of these crimes.²⁶ although other means of money laundering are utilised such as TBML.²⁷ The Thai case study illustrates the overspill of crime from adjacent Mekong countries and the displacement effect of China's crackdown on transnational crime, which has pushed crime into corrupt Southeast Asian countries.

2.5 *High Levels of Corruption and Crime in the Mekong Region*

The difficulties of transnational crime and money laundering in the Mekong region are huge, since the countries have very high levels of corruption and crime. The

²² Anthony (2023b).

²³ Gibbs (2022).

²⁴ Gamblers and hosts at illegal gambling dens are being jailed as massive crackdown proceeds apace (2021).

²⁵ Ngamkham (2023); Gibbs (2022).

²⁶ Anthony (2023a); Officials squirm amid Chuvit's Triad expose (2023).

²⁷ Sivasomboon (2020).

Corruption Perceptions Index for 2022 showed the Mekong countries as being highly corrupt: out of 180 countries, Laos was the least corrupt of the three countries, with a ranking of 126, Cambodia next with 150 and Myanmar, the most corrupt, at 157.²⁸ Money laundering rankings show a similar pattern, with Myanmar ranked the third worst and Cambodia the seventh worst of all countries in the survey.²⁹ Furthermore, money laundering prosecutions in these countries are very low.

2.6 Money Laundering in Southeast Asian Casinos

Casinos play a major role in laundering the massive profits from transnational crime in the Mekong region, the surrounding Southeast Asian region and in the broader Asia-Pacific region. A rapid growth in the number of casinos in Southeast Asia has occurred, with 340 operating in 2022,³⁰ although this number does not include illegal casinos operating in the region.

In particular, casinos in Special Economic Zones (SEZs) in the border regions of Mekong countries facilitate money laundering.³¹ Autonomous special regions run by regional militias in Myanmar have concentrations of casinos in the Kokang, Mongla and Wa territories.³² The casinos are central players in illicit gambling and money laundering, but also for racketeering, illegal drug trafficking, human trafficking and wildlife smuggling.³³

The Kings Romans casino in Laos, part of the Golden Triangle SEZ and operated by the Zhao Wei criminal syndicate, has been identified by the U.S. Treasury as a major transnational crime syndicate trafficking in illegal drugs, endangered wildlife, human trafficking and prostitution.³⁴ Ostensibly, the SEZ facilitates economic growth in the Golden Triangle region, but it functions as a “one-stop shop” for transnational crime.³⁵ The SEZ has a diverse range of criminal activities, ranging from illegal drugs, wildlife and human trafficking and child prostitution. Illegal online gambling and online scamming activities are also prominent activities.³⁶ The Kings Romans casino occupies a key role in laundering the proceeds of these criminal activities.

²⁸Transparency International (2023).

²⁹Basel Institute of Governance (2022).

³⁰Douglas (2022).

³¹UNODC (2019), p. 16; Douglas (2022).

³²Sai (2019); Gao et al. (2019).

³³Clapp and Tower (2023); International Crisis Group (2019), p. 15; Douglas (2022).

³⁴U.S. Department of Treasury (2018).

³⁵Langdale (2023).

³⁶Strangio (2021); van Uhm and Wong (2021).

Sihanoukville in Cambodia has a SEZ, which is part of China's Belt and Road Initiative.³⁷ It attracted numerous Chinese physical and online casinos, but the banning of online casinos in 2019 by the Cambodian government and the impact of Covid-19 decimated Chinese gambling tourism and led to the exodus of thousands of Chinese workers. The ban led to the growth of online scamming centres in Sihanoukville, with online gaming continuing in an underground manner.³⁸ Sihanoukville is a major money laundering centre for illegal drugs and other illicit activity.³⁹ These casinos operate in both a physical and online manner and in recent years have become major online scamming centres with thousands of workers imprisoned in walled compounds.⁴⁰

3 Money Laundering in Australian Casinos

Australian casinos are linked to the East Asian transnational crime system. The casinos are involved in other areas of money laundering, but these aspects are not considered in this paper.

A number of Australian state governments commissioned inquiries into money laundering taking place in their respective states.⁴¹ The inquiries concluded that Australia's two largest casinos, Crown Casino and Star Entertainment, were unfit to hold a casino license. However, the inquiries did not terminate the companies' casino licenses; they were fined and special supervisors appointed for a number of years to ensure their performance satisfied the respective state government casino regulatory authorities. In addition, the use of China's UnionPay cards to facilitate Chinese capital flight has been banned.

The government inquiries effectively found that the casinos were "too big to fail". Governments were loath to close them down, because they employ large numbers of people, contribute to taxation revenue and are significant attractions for foreign tourists. The inquiries did not explore the failures of regulation at a state level. Similarly, at a Federal level Austrac did little to investigate the money laundering practices of Crown or Star casinos prior to press reports by investigative journalists in 2019.⁴²

The government inquiries into money laundering in casinos found that their targeting of the VIP market exposed them to the crime-ridden junket operations bringing wealthy Chinese gamblers to Australia. As a result, these junket operators have been banned in Australia, but it is likely that the politically-well connected

³⁷ Devonshire-Ellis (2022).

³⁸ Farrelly et al. (2022), p. 7.

³⁹ Macan-Markar (2019).

⁴⁰ Kennedy and Southern (2022); Samean (2022); Tan (2022).

⁴¹ Bergin (2021); Finkelstein (2021); Bell (2022), Gotterson (2022), Western Australia (2022).

⁴² Bashan (2022).

casino companies will lobby state governments for these bans to be watered-down or eliminated over time. The Bell Inquiry found that despite publicly saying that it had ended the junket program, Star Entertainment was exploring the use of Third-Party Referral arrangements. These arrangements involved existing customers or individuals previously employed by junkets who could introduce a potential customer to the sales team.⁴³

Australia is faced with growing transnational crime and money laundering problems associated with Chinese and other criminal organisations. A major demand for money laundering resulted from transnational illegal drug trafficking and casinos provided a means of laundering the proceeds of this crime. Furthermore, wealthy Chinese wanted to transfer large amounts of money to Australia despite such transfers violating strict Chinese laws on capital flight. Australian casinos were used to facilitate Chinese capital flight.⁴⁴

Money laundering problems in Australian casinos emerged for a variety of reasons. One was that regulators shifted to a self-regulation model for casinos and largely abandoned close monitoring of casino transactions.⁴⁵ Secondly, state and Federal regulators failed to appreciate that Australia's transnational crime and associated money laundering had shifted to a much larger scale. Criminals were looking for "weak links" to launder large sums of illicitly-earned money and found that casinos were loosely regulated in Australia.

Australian casinos face growing competition from Southeast Asian casinos, which have a key advantage of proximity to the Chinese market compared to those in Australia.⁴⁶ New Integrated Resort casinos have been built in Southeast Asian countries that provide high-quality holiday resorts as well as gaming facilities. Casinos in the Mekong region (e.g., Shwe Kokko in Myanmar and Kings Romans casino in Laos) are notorious hubs for transnational crime and money laundering.⁴⁷ A number of Mekong countries are corrupt and crime-ridden and transnational criminals are already laundering massive sums through these casinos.⁴⁸ As a result, Australian casinos will struggle to attract Asian gaming tourists and are likely to pressure their respective state governments to "water down" AML restrictions on their operations to match Southeast Asian casino competitors.

⁴³Bell (2022), p. 144.

⁴⁴Langdale (2022).

⁴⁵Bergin (2021), pp. 37–43; Hatch (2022).

⁴⁶Langdale (2022).

⁴⁷Kennedy and Southern (2022); Langdale (2023).

⁴⁸Douglas (2019); van Uhm and Wong (2021).

4 Combatting Money Laundering in Casinos

This section outlines a fundamental dilemma for governments in Southeast Asia and Australia in combatting money laundering in casinos. Many are conflicted in their policies in this area: on the one hand, they recognise that unless casinos are strictly regulated crime will flourish. On the other hand, they want to promote economic benefits from casinos: namely, expand international tourism and employment as well as gaining taxation revenue. Governments have followed a “pot of gold” casino strategy, neglecting money laundering and crime associated with the sector.

We considered in Sect. 2 the role of money laundering in casinos in Southeast Asia and Australia in the context of the East Asian transnational crime system. This crime system and the associated money laundering in casinos is growing rapidly. Unfortunately, most law enforcement operations are national in scope and, while they may disrupt the transnational crime system and associated money laundering briefly, they have little impact on the overall criminal activity in the region. National intervention in crime and anti-corruption policies may simply displace criminal activity to other countries.

The head of the UNODC in Southeast Asia, Jeremy Douglas, argues that the law enforcement strategy of focusing on illegal drug interdiction has not worked and its focus needs to shift to prevention of demand.⁴⁹ This proposed shift in strategy meshes in with the move away from purely law enforcement supply strategies towards the use of public health measures to reduce demand.⁵⁰ Furthermore, Douglas argues that the overall transnational crime system has to be attacked by law enforcement agencies by disrupting illicit banking networks, precursor chemical supply chains, as well as intermediaries in illicit networks, such as bankers, accountants and lawyers that facilitate money laundering networks.⁵¹

Unfortunately, governments in the region have not adopted such a systems approach to combat transnational crime and money laundering. The transnational crime networks in the region need to be outlined and “weak links” identified for law enforcement action. At the same time, it must be recognised that these crime networks change rapidly. What are the likely future changes in the East Asian transnational crime system?

Transnational criminal groups utilise a wide variety of money laundering approaches, with major ones being TBML and underground banking techniques.⁵² Virtually no aggregate information exists on the overall size of different means of money laundering, but anecdotal evidence suggests that TBML and underground banking methods are the major means. However, casinos are an important means of money laundering in Southeast Asia, and have played a significant role in Australia.

⁴⁹Doyle (2023).

⁵⁰Johnson et al. (2022).

⁵¹Doyle (2023).

⁵²Financial Action Task Force (2018), pp. 30–34.

They represent a “weak link” in preventing money laundering. Governments need to recognise the vulnerability of their societies to money laundering in casinos.

5 Southeast Asia

We have seen that Southeast Asian casinos have proliferated partly to service the large demand from physical and online Chinese gamblers, but also to launder the proceeds of transnational crime. The massive profits from transnational crime in Southeast Asia allow criminal groups to bribe government and law enforcement officials. It is very difficult to overcome corruption in the region⁵³ Furthermore, demand for illicit products, particularly illegal drugs, is rising globally. Consumption of illegal drugs in wealthy countries is large and few initiatives to reduce consumption are working. As a result, transnational crime and associated money laundering networks are well developed. Casinos are an ideal means of laundering the proceeds of crime.

5.1 *Combatting Money Laundering and Corruption*

The UNODC and other international agencies have instituted training programs to improve governance, reduce bribery and corruption in Mekong region countries⁵⁴ While these programs have had some success, transnational crime is still spiralling out of control in the region.

5.2 *Myanmar*

Myanmar has a particular problem in combatting money laundering in its casinos, given the lawlessness in many regions. The military junta is corrupt and the army (Tatmadaw) is heavily involved in businesses, many of which are illicit⁵⁵ Furthermore, even if the military junta wanted to crack down on transnational crime and money laundering, it does not have control over many border regions.⁵⁶ Regional ethnic militia groups are closely involved in the criminal economy;⁵⁷ the trends

⁵³Lintner (2022).

⁵⁴UNODC (2022b).

⁵⁵United Nations. Human Rights Council (2019); Global Witness (2021).

⁵⁶Clapp and Tower (2023).

⁵⁷International Crisis Group (2019).

indicate that the problems are worsening.⁵⁸ Chinese transnational criminal groups control much of this criminal activity.⁵⁹ Most of the profits from transnational crime are reinvested in local businesses, but a significant amount is laundered through casinos into regional financial centres such as Hong Kong.⁶⁰ Numerous physical and online casinos are located in these conflict zones.⁶¹

5.3 Laos

The country suffers from high levels of corruption. Bokeo province is a key illegal drug trafficking route, particularly for methamphetamines.⁶² The Kings Roman casino in the Golden Triangle SEZ is a “one-stop shop” for transnational crime and is ideally situated in the province to launder profits from the diverse range of illicit activities.⁶³ A key difficulty in controlling money laundering in the casino is that the Laotian government is a 30% owner of the Golden Triangle SEZ. The Zhao Wei group, the owner of the Kings Romans casino, has high-level links to the Laotian government. The government has ceded security to this group in return for economic rents and is unlikely to combat money laundering in the casino. In fact, the Laotian government is allowing Zhao Wei to expand his activities in other parts of Laos.⁶⁴

5.4 Cambodia

Combating money laundering in Cambodia’s casinos is difficult given the endemic corruption at national, provincial and local scales.⁶⁵ Cambodia is ranked seventh worst in the world in 2022 for money laundering.⁶⁶ Cambodia has passed AML legislation and it has been removed from the FATF’s grey list of countries in need of increased monitoring.⁶⁷ Cambodia has responded to international criticism over the human rights abuses in its illegal casinos and shut down many of them.⁶⁸ However,

⁵⁸ UNODC (2023).

⁵⁹ Tower and Clapp (2021).

⁶⁰ Sai (2019).

⁶¹ International Crisis Group (2019).

⁶² Strangio (2022).

⁶³ Langdale (2023).

⁶⁴ Zsombor (2022).

⁶⁵ Hutt (2019).

⁶⁶ Basel Institute of Governance (2022).

⁶⁷ Basel Institute of Governance (2023).

⁶⁸ Gibbs (2023).

despite these improvements, the country suffers from major crime and corruption problems and Cambodia's casinos are heavily involved in money laundering.

5.5 *Role of Hong Kong and Macau*

Hong Kong and Macau play an important role in facilitating money laundering in casinos throughout the Asia-Pacific region.⁶⁹ Government regulation of the casino industry in Macau has been tightened, particularly in the crime-ridden junket industry catering to VIP gamblers from China. China has imprisoned executives from Suncity, formerly the world's largest junket operator, for illegal online gambling.⁷⁰ In addition, Levo Chan, head of a major junket operator Tak Chun, has been imprisoned for illegal gambling and money laundering.⁷¹

However, much more needs to be done. Regulations covering shell companies in Hong Kong need to be tightened and their operations limited to genuine companies to prevent criminal groups using them.⁷² Business and financial intermediaries facilitate the international operations of transnational crime and money laundering groups. Furthermore, little law enforcement activity has been directed at senior members of Triad societies, whereas regular sweeps are conducted to arrest low-level members of these societies.⁷³

5.6 *China's Role*

China is a key player in combatting money laundering in Southeast Asia's casinos. China has been upset about the extent of illegal online gambling in Southeast Asia targeting Chinese citizens and has pressured Cambodia and the Philippines to halt such activities.⁷⁴ However, Cambodia has limited ability to control underground online casinos (e.g., Sihanoukville). The Philippines government is resistant to China's pressure although China has threatened Southeast Asian countries that it will ban Chinese tourism if they do not halt online illegal gambling.⁷⁵

China's growing linkages in Southeast Asia raises complex geopolitical and economic issues. Its concerns about casinos facilitating Chinese capital flight, money laundering and transnational crime needs to be balanced against its other

⁶⁹CNN (2018); Douglas (2019).

⁷⁰Hung (2023).

⁷¹Chan (2023).

⁷²Lo (2022).

⁷³Lo (2023).

⁷⁴Conneller (2021).

⁷⁵Cohen (2023); Ramos-Araneta and Lopez (2022).

economic and geopolitical goals in the region. The situation is particularly complex in Myanmar given China's delicate relations with regional warlords in border regions and its overall relations with the central military government.⁷⁶

5.7 *The Philippines*

The Philippines government has vacillated in its casino policies.⁷⁷ On the one hand, it has promoted itself as a regional gambling hub, particularly for Chinese gamblers, but also for gamblers in the Asia-Pacific region. On the other hand, this policy has contributed to a rise in transnational crime and money laundering.

The Philippines, like other countries in the Asia-Pacific region, recognised the opportunities in the casino industry that emerged with China's crackdown on corruption in Macau.⁷⁸ Initially, the Philippines exempted its casinos from money laundering legislation in order to maximise its casino revenue. The government's goal was to grow employment, taxation revenue and international tourism.

The Philippines Offshore Gaming Operations (POGOs) have been controversial given the crime associated with many of them.⁷⁹ Furthermore, they have targeted the online Chinese gambling market, even though it is illegal to gamble online in China. The POGOs attracted mainland Chinese workers, often working illegally in the Philippines, as well as a wide range of criminal activity, such as scams, extortion, prostitution and kidnapping.⁸⁰ The Chinese government has warned the Philippines not to target the online Chinese gambling market since it is illegal for Chinese citizens to participate in it. More recently China has threatened to cut off Chinese tourism to the Philippines if it does not act.⁸¹

One of the consequences of the exemption of casinos from money laundering legislation was that casinos were used to launder the proceeds of the Bangladesh Bank cyberheist.⁸² Money laundering regulations have been tightened following the Bangladesh Bank cyberheist, but the U.S. Department of State⁸³ has criticised the money laundering regulations for having a high single-transaction reporting threshold of US\$100,000 and junket operators being excluded from reporting requirements. Furthermore, the Philippines government has been criticised for continuing

⁷⁶ Clapp and Tower (2023).

⁷⁷ Romero (2023).

⁷⁸ Kritz (2016).

⁷⁹ Anti-Money Laundering Council (2020), p. 2.

⁸⁰ Specter (2022); Stradbroke (2021).

⁸¹ Cohen (2023); Ramos-Araneta and Lopez (2022).

⁸² Katz and Fan (2017).

⁸³ U.S. Department of State (2019), p. 157.

the strict bank secrecy law, one that makes the Philippines an attractive location for money laundering.⁸⁴

While the Philippines government would like to be removed from the FATF's grey list of uncooperative jurisdictions, at the same time it wants to maximise revenue from physical and online casinos with as few AML requirements as possible. The Philippines remains on FATF's "grey list" in 2023 with serious money laundering deficiencies.⁸⁵

6 Combatting Money Laundering in Casinos: Australia

We saw in Sect. 2 that Australian casinos were involved in the laundering of illegal drug proceeds and thus facilitated the operation of the East Asian transnational crime system. Even though junkets are now banned in Australian casinos, money laundering threats from transnational crime are likely to pose even greater problems in the future. The expansion of the size and sophistication of transnational criminal organisations in Mekong countries (Laos, Myanmar and Cambodia) are creating huge spillover impacts in the region. Additional countries in Southeast Asia, particularly, Thailand and Vietnam, are under growing threats from transnational crime and money laundering. This money laundering and transnational crime system poses long-term threats to Australian society.

State government inquiries into money laundering in casinos in Australia focused on domestic issues associated with criminal activity. Transnational crime issues were considered, but the inquiries were circumscribed by their limited resources and strict time limits. While the time and resource constraints faced by the inquiries are understandable, their failure to examine Asia-Pacific transnational crime and money laundering issues facing Australian casinos meant that their findings were limited in scope.

Clearly, the casino regulatory jurisdiction of state governments is limited to their particular state. However, regulation needs to be set in the context of the international competitive environment facing casinos and the transnational crime situation. Casinos operate in a fiercely competitive international environment for the premium mass and VIP markets. Many premium mass and VIP gamblers come from overseas, particularly China; often, these gamblers are offered inducements to gamble in different Asia-Pacific casinos.

State-based regulators are ill-equipped to monitor and evaluate money laundering threats that are emerging in their respective casinos. It is unrealistic to expect that each state regulator would undertake such a review. A move towards a national casino regulator would require the states to cede regulatory control of their casino industries to the Federal government. A move to a national casino regulator would

⁸⁴Economist Intelligence Unit (2017).

⁸⁵Financial Action Task Force (2023).

overcome the inherent regulatory weakness of state governments in that a significant percentage of their income comes from gambling taxes and fees.⁸⁶

A key difficulty in combatting money laundering in casinos in Australia is that they are seen by state governments as a “pot of gold”. State governments view casinos as contributing to the growth of international tourism, employment and taxation revenue. In contrast, transnational crime issues are seen as a problem for law enforcement agencies. Unfortunately, few states in Australia prioritise law enforcement despite their political rhetoric. As a result, little political will exists to strictly regulate casino operations. Furthermore, casinos have politically well-connected boards who lobby their respective governments very effectively.

7 Possible Futures in Combatting Money Laundering in Casinos

7.1 Future Importance of Online Gambling

A looming difficulty in combatting money laundering in casinos is the growing importance of online gambling. It is unknown how important this trend will be once the impact of the Covid-19 travel restrictions are lifted. However, it is likely that unregulated international online gambling from offshore gambling havens will pose a significant threat to physical casinos.

A Hong Kong case study found that a major increase in online betting occurred during the Covid-19 epidemic, particularly for alternative sports (e.g., e-sports and virtual sports). In addition, illegal online betting on horse racing and other sports in Hong Kong rose significantly. Macau junket operators expanded into online betting and gambling and given their linkages to organised crime, this trend is likely to lead to more criminal involvement in the illegal online betting market.⁸⁷

The growing importance of international online gambling makes the role of governments in regulating gambling more difficult. Most governments in the region are oblivious to the threats from online gambling to their “pot of gold” strategy and their long-term revenue streams associated with physical casinos. While governments have banned many of these online gambling ventures, new technologies make it easier for illicit entrepreneurs to bypass these regulations and allow gamblers access to their global betting systems. New technologies are likely to make the international online gaming market more global in nature, since it will be difficult to recognise where the service is being provided. Global money laundering hubs will be utilised to disguise the illicit financial flows.⁸⁸

⁸⁶Ziffer (2021).

⁸⁷Asian Racing Federation (2021), p. 2.

⁸⁸Purbrick (2023).

7.1.1 Trends in Transnational Crime and Money Laundering

We have focused on one component of transnational crime and money laundering in the East Asian region, namely the role of Chinese criminal groups. However, other transnational criminal groups such as Mexican and other Latin American cocaine cartels have entered the Asia-Pacific region, either on their own or in strategic alliances with Asian criminal groups.⁸⁹ It is likely that these Latin American groups will become even more significant regional operators in the future, attracted by rising incomes in many countries throughout the region, as well as the presence of “weak links” in corrupt countries. Furthermore, other transnational criminal groups (e.g., Nigerian and European) are active in the region, and these might be expected to expand their existing criminal activities.

The entry of new transnational criminal groups and rising standards of living in the region will lead to more sophisticated transnational crime and money laundering networks connecting the region to global criminal networks. For example, Chinese suppliers of precursor chemicals and Chinese money launderers have developed a sophisticated illicit trafficking network linking China, Mexico and North America.⁹⁰ Chinese criminals operating these money laundering networks provide their services to any criminal group and make use of casinos and other means of laundering the money. These complex transnational illicit networks will make combatting money laundering in casinos more difficult, since criminals utilise multiple means to disguise the proceeds of crime.

Unfortunately, little understanding of the long-term challenges facing casinos exists amongst Australian state casino regulators or those in Southeast Asia. A similar conclusion emerges from government inquiries into money laundering in British Columbia, Canada. Despite reports to the British Columbia government⁹¹ which warned of the threats from Chinese transnational criminal groups and money launderers, the report of the Commission of Inquiry⁹² neglected the role of these criminal groups arguing that it was beyond its limited resources and strict time limits. The co-lead counsel, Brock Martland, of the Cullen Inquiry explained that they did not have the time and mandate to explore the transnational crime aspects of casino-based crime in Vancouver.⁹³

⁸⁹ Felbab-Brown (2022).

⁹⁰ Langdale (2021).

⁹¹ German (2018, 2019).

⁹² Cullen (2022).

⁹³ Wood (2022).

7.2 *Southeast Asia*

We have seen that transnational crime and money laundering in the East Asian region has been growing rapidly and that casinos play a significant role in this growth. It is difficult to see government anti-crime policies being successful in combatting the future growth of transnational crime.

It is unrealistic to expect comprehensive policies associated with AML legislation and enforcement in poorer Southeast Asian countries in the Mekong region (Myanmar, Laos and Cambodia). A more viable option would be to reduce demand for illegal drugs and other illicit activities in developed countries (such as Australia) than to expect many initiatives from poorer countries. Such an approach would reduce the demand for illegal drugs in developed countries and thus lower prices and profitability for transnational criminal groups.

However, it is important to encourage poorer Southeast Asian countries to enact policies to reduce transnational crime and prosecute criminals using casinos. Pressure from the FATF has led to some Southeast Asian countries passing legislation covering money laundering in casinos and Cambodia has been removed from FATF's "grey list" of countries subject to increased monitoring.⁹⁴ However, few Mekong region countries have prosecuted criminals and it is unlikely that much will be done for the foreseeable future.

Myanmar is the most extreme case of the breakdown of law and order in Southeast Asia.⁹⁵ The underlying security situation in Myanmar is getting worse and the central government has little control in many border regions. In addition, Myanmar's government is highly corrupt and shows little signs of improvement. Similarly, corruption needs to be brought under control in all regions of Laos and Cambodia, something that is unlikely for the foreseeable future.

The most likely outcome is that transnational crime and money laundering through casinos in the Mekong region countries will continue. Even if one country did manage to crackdown on crime and money laundering, it is likely that a displacement effect will occur and criminals will find other "weak link" countries in order to continue their operations.

7.3 *Australia*

A key difficulty in combatting money laundering in Australian casinos is that state governments compete amongst themselves to expand casino turnover in their jurisdictions. It is likely that there will be pressure in the future to loosen AML regulation covering casinos. Any loosening of AML regulation by one state is likely to be matched by other states, especially as the memory of state government inquiries into

⁹⁴ Cambodia removed from international money laundering "grey list" (2023).

⁹⁵ UNODC (2023).

money laundering fades. We have already seen that Australian casinos will be facing growing competition from loosely-regulated casinos in some Southeast Asian countries.

The future threats to Australian casinos from Southeast Asian and online gaming platforms make it important that Australia establishes a national gaming regulator. A key component of the role of such a regulator would be to examine trends in gaming, ranging from physical casinos and gambling ventures to new online gaming. Such a gaming regulator would identify the social and economic impacts of these new gaming ventures. Far too often Australian gambling regulators are too slow in reacting to looming money laundering and transnational crime threats.

Unfortunately, it is unlikely that states will cede regulatory control over their casinos to the Federal government. Most states view casinos as a key part of their broader economic strategy of promoting international gambling tourism and see themselves competing with other states for tourist income. Casinos are an important employment generator and contribute significantly to state taxation revenue.

It is difficult to be optimistic about the future success of law enforcement agencies in Southeast Asia and Australia in combating money laundering in casinos. An important first step would be for national and state governments to prioritise the control of money laundering and transnational crime over their economic development goals. Failure to follow this step is likely to lead to a growing spiral of crime, which will worsen social and economic development throughout the region.

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