

## Shadowy Telecoms Scams Are Becoming the Latest Front in China-Taiwan Tensions

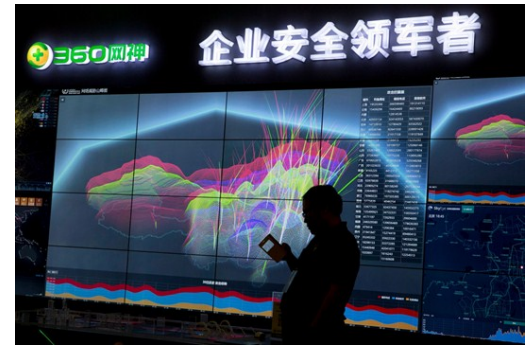
Tim Ferry | Tuesday, Feb. 27, 2018

TAIPEI, Taiwan—In early May 2016, a police raid on a suspected money-laundering operation in the Taiwanese city of Taichung instead uncovered a large and wide-ranging telecoms scam. Based in the Dominican Republic, the operation spanned the world, stretching from Taiwan to China and the United States. According to Capt. Lee Chi-shun, an investigator with the Criminal Investigation Bureau of Taiwan's National Police Administration who was heavily involved in the case, the small shop raided by local police turned out to be a data center where money that had been fleeced from victims of telecoms fraud was transferred onward to bank accounts both in and out of Taiwan. Police discovered remittance receipts and other evidence that not only identified known Taiwanese victims of telecoms fraud, but also bank accounts in the United States where the stolen money was ending up. Those bank accounts were tied to a 45-year-old Taiwanese man, Huang, known to Taiwanese police as a petty criminal with legal residency in the United States and a passport from the Dominican Republic.

The scams referred to by the local press as “telecoms fraud” involve a caller purporting to be a government agent or other authority figure who threatens or cajoles victims into wiring huge sums of money. According to police officials, these scams are proliferating around the world, and many see the handiwork of Taiwanese masterminds on the lookout for easy scores. Taking advantage of declining costs for long-distance phone calls and voice-over-internet technologies, as well as relatively open borders for the holders of Taiwanese passports, Taiwanese fraudsters have taken their business model global over the past decade, operating in such far-flung locales as Kenya, Croatia or, in this case, Santo Domingo, the Dominican capital. Taiwanese telecoms fraud masterminds are even alleged to have set up call centers in India manned by American-sounding Indians who pretend to be Internal Revenue Service agents. The scammers target unsuspecting Americans and convince them to transfer large sums of money to avoid tax prosecution.

The amount and source of the money flowing to Huang's accounts in the United States raised alarms, but as the case was transnational in scope, Taiwanese police needed more evidence before they could take it to the relevant foreign governments for action. That presented challenges, given Taiwan's unique diplomatic position: China maintains its claim over the island (<https://www.worldpoliticsreview.com/articles/22197/have-taiwan-s-identity-politics-outgrown-the-one-china-myth>), and its contested status means Taiwan is excluded from the United Nations and enjoys official diplomatic recognition from a tiny minority of countries. Especially pertinent to law enforcement initiatives is the fact that Taiwan remains excluded from Interpol, which hampered attempts at investigating Huang's suspected criminal activity.

The case got an unexpected break when U.S. Customs and Border Patrol, or CBP, informed Taiwan's Central Investigation Bureau, or CIB, in June 2017 that it had stopped a number of Taiwanese nationals from transiting through New York's John F. Kennedy International Airport on their way to the Dominican Republic. The men had raised flags at CBP because despite their stated intention to visit the Dominican Republic for a short vacation, they didn't know anything about the island, didn't



*A computer display shows a visualization of phishing and fraudulent phone calls across China during the 4th China Internet Security Conference, Beijing, Aug. 16, 2016 (AP photo by Ng Han Guan).*

know where they were staying or what they were going to do, and spoke neither Spanish nor English. Moreover, they carried with them an array of goods such as rice cookers and Taiwanese foods that suggested they were preparing for a long stay, even though they were traveling on short-term visas. Additionally, many of them sported what the CBP considered to be gang tattoos.

The Taiwanese investigators from the CIB were able to link the men to others who had already made it to the Dominican Republic. Moreover, investigators discovered evidence of an IP address connecting one of the men that had been stopped by the American CBP to the wire transfers to Huang that originally triggered the investigation.

With the help of the Dominican Embassy in Taipei, the Taiwanese investigators translated the evidence they assembled into Spanish and forwarded it to prosecutors in Santo Domingo. The Dominican authorities began to mount their own investigation, which continued over the long summer, even as Huang's fraudsters continued to rip off their unsuspecting Chinese victims to the tune of around \$4.5 million. Finally, on Sept. 11, agents from Taiwan's CIB and the Ministry of Justice Investigation Bureau, or MJIB, joined local Dominican police units to raid the call center, located in a large, luxurious house on a quiet street in an affluent section of Santo Domingo.

Much to the dismay of the Dominican and Taiwanese investigators, however, they were too late. Most of the suspects had already escaped. "The police only caught four criminals inside because the rest of them had been tipped off by the local cops," says Capt. Lee. "But we successfully identified a number of accomplices, and we have arrested 23 criminals in Taiwan."

MJIB agents report that they are continuing to interview an ever-widening pool of suspects in Taiwan connected to the case, which had devastating consequences for victims, several of whom reportedly committed suicide in the wake of the financial ruin wrought by the scammers.

### **A Cross-Strait Jurisdiction Battle**

The Dominican case bears similarities to other scams that have made headlines in recent weeks and months. In early January, Poland arrested 48 Taiwanese nationals involved in telecoms scams that cheated Chinese victims out of a reported \$2.2 million, while Slovenia arrested 36 Taiwanese and Croatia another 61 only a week later for similar crimes.

***Taipei's diplomatic isolation means it faces a host of limitations in trying to hold telecoms scammers to account.***

An important difference in the Dominican case, however, is that Taiwan was the driving force behind the investigation and was involved in the arrests. More importantly, the suspects were extradited to Taiwan, their country of origin.

Others have not been so fortunate. In November 2014, 28 Taiwanese were arrested in Kenya as part of a sting on a call center. Another illicit call center in Kenya was broken up in early April 2016, with an additional 22 Taiwanese arrested. All these suspects were subsequently extradited not to Taiwan, but to China, where they were sentenced in December to prison terms as long as 15 years.

Even more disturbingly, a Spanish court in December approved the extradition to China of 121 Taiwanese nationals who had been rounded up in a raid on a call center in Madrid a year earlier. It was a first for a European nation, none of which have

ever extradited a Taiwanese suspect to China. The ruling, which is final and cannot be appealed, hinged on an extradition treaty signed between China and Spain in 2005, but the court also contended that international law has increasingly accepted the “One China” principle, by which there is only one China encompassing both Taiwan and China. The ruling noted that Taiwan does not have diplomatic relations with the European Union.

“The international community, except for those countries with which [Taiwan] has diplomatic relations, consider Taiwan to be part of China,” the court wrote ([http://www.poderjudicial.es/portal/site/cgpi/menuitem.65d2c4456b6ddb628e635fc1dc432ea0/?vgnextoid=8a953a44f8c50610VgnVCM1000006f48ac0aRCRD&vgnnextchannel=d060f20408619210VgnVCM1000000cb34e20aRCRD&vgnnextfmt=default&vgnnextlocale=es\\_](http://www.poderjudicial.es/portal/site/cgpi/menuitem.65d2c4456b6ddb628e635fc1dc432ea0/?vgnextoid=8a953a44f8c50610VgnVCM1000006f48ac0aRCRD&vgnnextchannel=d060f20408619210VgnVCM1000000cb34e20aRCRD&vgnnextfmt=default&vgnnextlocale=es_)

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The Spanish court was right that Taiwan’s diplomatic room for maneuver has been steadily diminishing in recent years. Panama switched its diplomatic recognition from Taiwan to China last year, and Sao Tome and Principe and Gambia did so in 2016, leaving only 20 countries—including the Dominican Republic—that maintain official contacts with Taipei.



*Taiwan’s president, Tsai Ing-wen, delivers a speech during National Day celebrations in front of the Presidential Office Building in Taipei, Oct. 10, 2017 (AP photo by Chiang Ying-ying).*

Meanwhile, cross-Strait ties have chilled considerably since the inauguration in May 2016 of Taiwanese President Tsai Ing-wen, whose Democratic Progressive Party is associated with a more vocal advocacy of Taiwanese independence. Tsai has not explicitly advanced any plans for independence, which would be a red line for Beijing, but she and her party have not hidden the fact that they consider Taiwan to be a de facto sovereign state. China has responded by raising the pressure on Taiwan, blocking its representatives from attending the World Health Organization’s annual conference in May this year, conducting military exercises near Taiwan’s waters, and—most recently—rerouting commercial flights to within 10 miles of Taiwanese airspace without consulting Taiwan’s aviation authorities. An anonymous source close to the Tsai administration says these changes to commercial aviation routes deliberately put commercial aircraft into situations where they could be

mistaken for Chinese military flights and potentially shot out of the sky by Taiwanese forces.

The telecoms fraudsters are not the only Taiwanese nationals caught in the Chinese criminal justice system. Lee Ming-che, a Taiwanese college administrator with ties to democracy-promotion groups in China, was seized by Chinese authorities in Macau in March 2017. After disappearing for months, Lee resurfaced in September, when he was tried by a Chinese court on charges of fomenting anti-government activities. The court found him guilty and sentenced him to five years in prison.

Beijing's demand that Taiwanese nationals arrested in third countries for telecoms fraud be extradited to China is part of this broader effort to strengthen legal and political restrictions on Taiwan. For its part, Taiwan's government has objected strenuously when these extraditions occur. Its Cabinet-level Mainland Affairs Council, or MAC, has repeatedly expressed its "deep regret and dissatisfaction" with the countries that have extradited Taiwanese citizens to China, and has called on all nations to respect their claims of Taiwanese nationality. The MAC has raised concerns that Taiwanese defendants in China would not receive due process, and characterized the extraditions as "efforts to suppress the Republic of China"—Taiwan's official name—that will only "arouse indignation of the Taiwan people."

Under Taiwanese law, defendants convicted of telecoms-related offenses face a maximum of seven years in prison if convicted, while those convicted in China face a minimum of 10 years in a Chinese prison, and likely far more. Conviction rates in China are high. In 2011, China's Supreme People's Court reported a conviction rate for first- and second-tier criminal offenses, in which telecoms fraud is included, of higher than 99 percent (<https://www.state.gov/j/drl/rls/hrrpt/2013/eap/220186.htm>).

Beyond the dispute over what happens to suspects, Taiwan's MAC and Ministry of Foreign Affairs have called on Chinese law enforcement agencies to work more closely with Taiwanese authorities to combat telecoms fraud. They note that Taiwan has taken a number of steps to fight these crimes, including amending the Criminal Law, the Money Laundering Prevention Law and the Organized Crime Prevention Law, as well as supporting interagency and inter-ministry cooperation within Taiwan.

One officer with the Seventh Special Police Corps under the National Police Agency who has worked on telecoms fraud since 2004, and who spoke to WPR on condition of anonymity due to the sensitive nature of his role, notes that China has stepped up its efforts at combating telecoms fraud in response to demands from its own citizens. China deploys a unit of 40 international police liaisons who work closely with foreign police agencies, while Taiwan, by contrast, only has nine.

"China can send a team to build relations between countries," he observes, "so that when a foreign government finds evidence of these crimes, they will call China first."

He adds that Chinese officials also have an advantage when it comes to gathering evidence. "They have the victims, the money, they have all of the evidence that can be used in a court of law, but Taiwan doesn't have the evidence," he says. "The chance for Taiwan to convict these fraudsters therefore is quite low."

***Past crackdowns on the mafia in Taiwan have been of limited success, with prisons essentially serving as "crime schools."***

Raymond Su, deputy commander in the International Criminal Affairs Division of the CIB, says China nevertheless has compelling reasons to cooperate with Taiwan on these cases, since it hopes to obtain compensation for the losses suffered by Chinese victims.

“We talk to the China police by saying that if they want to give compensation to their victims, then we should get the mastermind so we can use his assets to compensate the victims,” he says. “They want compensation, and they want to help Taiwan to seize the property, but right now because of political issues they can’t.”

Su adds, “We try to convince them of our mutual purpose to prevent their people from being defrauded, and that we should work together. We know our Taiwanese criminals better than they do.”

### **The Roots of Taiwanese Telecoms Fraud**

Taiwan has a long history with organized crime. “Secret societies” and “sworn brotherhoods”—mutual support organizations that were sometimes implicated in organized crime—have been a major factor in the social development of the island. Even former President Chiang Kai-shek, who fled with his Nationalists to Taiwan after losing the Chinese Civil War in 1949, had strong connections to organized crime syndicates.

Taiwan’s organized crime groups—referred to as the Taiwan mafia, or *bang pai* in Chinese—were formed on the island, but several of the largest and most powerful, including the Bamboo Union and the Four Seas, were founded by children of mainland soldiers who had fled to Taiwan with Chiang and who banded together to resist bullying from local thugs.

During Taiwan’s rise as an economic and technological powerhouse in the 1980s and 1990s, the mafia was a potent force in business and politics. Government efforts at liberalization further fed this type of crime, writes Chin Ko-lin, a professor at the School of Criminal Justice at Rutgers University, in his book “Organized Crime, Business and Politics in Taiwan,” published in 2003. The abolition of martial law in 1987, for example, resulted in a reduction of maritime patrols, which led to an influx of guns and drugs and soaring crime rates.

The murder in 1984 of Taiwanese professor Henry Liu—who had written an unauthorized and controversial biography of Chiang Ching-kuo, the son of Chiang Kai-shek who succeeded his father as president—in Daly City, California, by several members of the Bamboo Union drew international attention to Taiwan’s mafia problem and forced the government to implement the first of several major crackdowns.

These crackdowns were of limited success, however, with prisons essentially serving as “crime schools.” According to Chou Wen-yung, a professor of criminology at Central Police University in Taoyuan City and an expert on Taiwan’s mafia, a small-time criminal named Lo Fu-chu formed an alliance of local gangs aimed at contesting the supremacy of the mainlander gangs while he was imprisoned following his arrest in the 1984-85 crackdown. Known as the Heavenly Way, this alliance remains a formidable force in Taiwan’s underworld. Lo Fu-chu went on to serve as an independent legislator in the Legislative Yuan, Taiwan’s top law-making body, from 1996 to 2002 before eventually fleeing the country in 2013 after being convicted of stock manipulation and insider trading.

Further police crackdowns against the mafia followed, notably in the wake of the 1996 massacre of Taoyuan County Magistrate Liu Pang-you and six members of his family. But Taiwanese justice officials credit legislation such as the Organized Crime Prevention Act and the Witness Protection Act, along with better coordination among various law enforcement divisions, as the main factors that made the fight against organized crime more effective.

When Taiwan’s economy cooled in the early 2000s, kidnapping and extortion became less lucrative and, given the continued police efforts, more risky. “It became too dangerous,” says the Special Police Corps officer. “They were looking for a less risky alternative to still make illegal money.”



*Cybercrime suspects from Taiwan and China cover their faces as they leave an immigration center before being deported, Jakarta, Indonesia, Dec. 16, 2015 (AP photo by Tatan Syuflana).*

Telecoms fraud took off as cellular phones became ubiquitous in the mid-2000s. The intersection between telecoms scammers and the mafia remains murky. While many are quick to see the mafia behind the scams, police describe a more nuanced relationship. “The mafia provides resources, including money and potentially manpower, but they don’t actually run the scams,” says the CIB’s Su.

As the scams snowballed and fleeced more victims, public outcry led to both police crackdowns and rising public awareness. But as was the case with initial crackdowns on organized crime, these efforts had unintended consequences. “A lot of people went to jail, but jail became school for these criminals, and they honed their skills for this,” Su says. “When they got out of jail, they wanted to form their own companies, so they went to China to expand.”

During the 2000s, the Chinese economy’s breakneck growth meant there was easy money for scammers to target, says the Special Police Corps officer. But Chinese authorities soon became wise to the threat, so once again the model evolved and relocated. Taiwanese fraudsters moved on to South Korea, where they hired Japanese nationals—or Koreans who could speak Japanese—to defraud Japanese victims. “While so many of their staff are local nationalities, it’s always Taiwanese at the top,” the Special Police Corps officer says.

### **Law Enforcement’s Uphill Battle**

Taiwanese authorities have not been idle in responding to the problem. They played an active role in cleaning out the call centers in East Asian and Southeast Asian countries. What’s more, during the administration of Tsai’s predecessor, former President Ma Ying-jeou from the China-friendly KMT party, cross-Strait relations warmed, allowing Taiwanese and Chinese

law enforcement agencies to share information that led to raids on call centers and arrests. In those cases, Taiwanese suspects were generally repatriated to Taiwan.

But Taiwanese fraudsters adapted again, largely abandoning Southeast Asia in favor of bases much farther afield, including in Central America, Africa and Europe.

Each case has its own particularities. Of the Taiwanese fraudsters operating out of Spain, for example, the CIB's Su says, "We don't know why they chose Spain, but we think that they think Spain is a very progressive country, and they estimate that if they are arrested they won't get sent to China. But they misjudged. They didn't know how good the relationship is between Spain and China."

## ***Taiwanese telecoms fraudsters are increasingly abandoning Southeast Asia in favor of bases much farther afield.***

The Taiwanese who set up shop in Kenya were exploiting local connections they enjoyed with law enforcement as well as good telecoms services, but they failed to factor in China's growing presence and influence in Africa.

The Dominican Republic operation, meanwhile, leveraged connections the mastermind, Huang, had in both the Dominican Republic and the United States.

These days, Taiwanese investigators say their higher-ups push them to crack cases involving Taiwanese telecoms fraudsters before the Chinese do. Ultimately, though, the Taiwanese police say they are hindered by a lack of resources and diplomatic heft. "We try our best to do what we need to do for our Taiwan nationals, and if they are caught overseas we talk to the other government. But if the other government doesn't agree, there's nothing we can do," says Su.

Although Taiwan protests vociferously whenever its citizens are arrested and extradited to China, its leverage continues to weaken in the face of China's enormous and still mounting power and influence. All branches of Taiwan's police emphasize their desire for closer collaboration and information sharing with Chinese authorities, arguing that China's own citizens are more likely to be compensated if Taiwanese kingpins are brought down and assets are seized and distributed to the victims in China. Chinese authorities remain recalcitrant, though, these same police report.

Providing Taiwanese law enforcement with more resources to help police in foreign countries break up Taiwanese telecoms fraud rings might have some impact, as some governments have extradited suspects to whichever country has a stronger case.

Over time, the extradition problem may be mitigated at least somewhat by scammers' talent for adapting and relocating, combined with their deep fear of the long arm of Chinese law enforcement. The best way to avoid being locked up in Beijing, after all, is to only operate out of countries that have diplomatic ties with Taiwan.

Huang and his collaborators in the Dominican Republic are not the only Taiwanese criminals to have pursued this strategy. Taiwanese telecoms fraudsters are so terrified of Beijing that they have, in some cases, surrendered themselves to Taiwan's overseas liaison officers upon realizing that China had them in the crosshairs. "We believe that there is an ongoing strategy by criminal gangs to relocate to Taiwan's diplomatic allies to ensure that they don't get picked up and sent to China," says Su.

Yet the effectiveness of that strategy hinges on Taiwan being able to keep its allies in its corner. And as the diplomatic shifts of recent years have shown, that is far from guaranteed.

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