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before the

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Hearing on

"Counting the Cost: Communist China's Toll on Older Americans' Health, Finances, and Security"

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Chairman Scott, Ranking Member Gillibrand, and members of the committee,

Thank you for the opportunity to testify before you on the evolving threat of Chinese-linked scam centers. My testimony today draws from the U.S.-China Economic and Security Review Commission's recent work on this topic, including two reports, fact finding travel to Southeast Asia, and a set of recommendations for Congress to protect both the life savings of many Americans and broader U.S. national interests.

Background on the Commission

The U.S.-China Economic and Security Review Commission is a legislative branch commission created by Congress in October 2000 with the mandate to monitor, investigate, and report to Congress on the economic and national security issues in the relationship between the United States and China. Our independent Commissioners represent a wide range of views, with each of the leaders of the House and Senate appointing three Commissioners. I am proud to say that the Commission has a long history operating by bipartisan consensus. We provide Congress with an Annual Report and other research and analysis and make policy recommendations for legislative and administrative action.

Scam Centers Are a Major and Growing Problem for Americans in Every State and District

The FBI's Internet Crimes Complaint Center (IC3) documents that Americans reported losing $17.7 billion to online scams in 2025, a 29 percent increase from 2024.[1] This figure is striking, yet likely captures only a fraction of the total amount lost due to under-reporting. Nearly a quarter of these funds were stollen from citizens over age 60. Online scams often take the form of investment or confidence schemes that can be traced to Chinese criminal syndicates overseas.

[1] Federal Bureau of Investigations, Internet Crime Complaint Center, *Internet Crime Report 2025*.

Chinese criminal networks operate industrial-scale scam centers that steal tens of billions of dollars annually from people around the world. Collectively, this represents a massive criminal enterprise that rivals the global drug trade in scale and sophistication. For example, while estimates vary, scam centers in Burma, Cambodia, and Laos alone generated approximately $44 billion of illicit proceeds in 2023. To put that in some perspective, it is equivalent to about 40 percent of these three countries' combined GDP.[2]

Last May our Commission traveled to Cambodia, where we saw firsthand the consequences of Chinese-linked scam centers operating in broad daylight. The magnitude of the issue was apparent in meetings with U.S. government officials, Cambodian leaders, and non-government organizations. In Cambodia alone there are hundreds of scam compounds. Phnom Penh is dotted with high-rise buildings circled by barbed wire. Inside are factory-like call centers often filled with victims of human trafficking, held in conditions akin to modern slavery.

Chinese Crime Syndicates Spread with At Least Implicit Support from Elements of the Chinese Government

It is important to note that many of these Chinese criminal syndicates have spread throughout Southeast Asia with at least implicit backing from elements of the Chinese government. For example, known crime syndicates invested large sums in infrastructure projects like "Yatai New City" in Burma, which were branded under Beijing's Belt and Road Initiative (BRI). Despite the criminal history of project participants, and reports that Yatai New City was designed to host illicit activities, Chinese officials embraced the project. Multiple Chinese State-Owned Enterprises signed contracts to help build it. Just a few years later, the development had become the largest hub for Chinese online scam syndicates in Southeast Asia.[3]

In other cases, crime bosses seem to have gotten a pass from Beijing if they help spread its propaganda. This is a tactic used by notorious crime boss Wan Kuok-Koi, also known as "Broken-Tooth," to gain at least tacit support from Chinese authorities. After spending 14 years in prison for crimes as head of the 14k triad, Broken-Tooth promptly began reestablishing criminal operations in Southeast Asia. But this time, he re-branded himself as a patriotic pro-CCP businessman. He famously stated, "I used to fight for the cartels, and now I fight for the CCP." Remarkably, he received an award from a CCP-affiliated entity for the propaganda work of one of his organizations.

Broken Tooth has been sanctioned under the Global Magnitsky Act since 2020, but to date China has not taken any action to crack down on his scam centers. This suggests Beijing is willing to tolerate Chinese criminal groups that use the profits from scam centers to help support its agenda.

[2] USCC, China's Exploitation of Scam Centers in Southeast Asia, July 18, 2025, 2.
[3] USCC, China's Exploitation of Scam Centers in Southeast Asia, July 18, 2025, 3.

China's "Inside Out" Strategy to Use the Scam Center Crisis to Grow Its Regional Influence

While it makes sense that China would want to take action to protect its citizens from scams, the Chinese government has exploited the crisis by pursuing an "inside out" strategy to enhance its regional influence. Beijing has used scam centers in Southeast Asia as an excuse to pressure those countries to agree to a greater role for Chinese security forces in the region.

- In 2023, China and Laos agreed to strengthen law enforcement and security cooperation.
- In 2024, Cambodia and China agreed to deepen joint law enforcement cooperation.
- In January 2025, China, Cambodia, Laos, Burma, Thailand, and Vietnam greed to strengthen intelligence sharing and joint operations to crack down on scam centers.
- Later in 2025, China succeeded in convincing Thailand, an ally of the United States, to permit Chinese security forces to participates in scam center raids in Thailand. The Thai government had previously resisted such cooperation.

The spread of China-linked scam compounds in Southeast Asia is fueling corruption and violence, undermining the ability of governments in the region to control what happens in their territory. Having gained a foothold inside the internal security apparatus of other countries, China can use these as a source of leverage over and influence with these countries.[4] China is trying to use the same playbook as scam centers have spread globally—including in Palau and most recently parts of Africa.

The Shift from Targeting China to Targeting America

Initially, the Chinese crime syndicates often targeted fellow citizens in so-called "pig-butchering" scams, the local colloquialism for winning a victim's trust to ultimately convince them to hand over a large sum of money. Over time, the industry has seen massive growth well beyond China and into the United States, in turn fueling a large-scale human trafficking crisis.

One driver of the shift from targeting China's citizens to targeting Americans has been government crackdowns. Beijing has taken action selectively against scam centers that target Chinese citizens. For the most part, Beijing has turned a blind eye to criminal activity targeting foreigners. As a result, the Chinese criminal syndicates have been incentivized to shift toward targeting Americans. To illustrate this point, in 2024 China reported a 30 percent decrease in money lost to online scams, while in the same year the United States witnessed a 40 percent increase.[5]

A more recent development that the Commission reported on in our updated paper in March is the rise of small-scale scam operations within China. As criminals arrested in China's early crackdowns are released from prison, they have set up shop within China. They think they won't

[4] USCC, 2025 Annual Report to Congress, November 2025, 236-238.
[5] USCC, China's Exploitation of Scam Centers in Southeast Asia, July 18, 2025, 6.

be targeted if they engage in "Foreign Butchering." Under the meme, "Chinese don't scam Chinese" they only target foreigners. While China has clarified that this activity is also illegal, in practice the perpetrators of foreign butchering scams within China rarely face consequences.

Recent Developments

Our recent update on Scam Centers discussed how the crime syndicates are evolving.[6] What was already a severe problem has been turbo-charged by AI. Scammers have used AI in multiple ways:

- to help scale their operations,
- to create more convincing fake personas,
- to develop more tailored content, and
- to operate in multiple languages.

Scammers are increasingly using cryptocurrency as part of their scams. They pitch fraudulent crypto investments; they steal money directly from Americans by convincing them to deposit it into cryptocurrency ATMs; they use cryptocurrency to launder the proceeds of their criminal activities.

Additionally, as I noted earlier, Chinese linked scam centers are expanding globally, spreading corruption and criminal elements to more countries. They also open the door for increased influence by Chinese security services in Africa, the Pacific Islands, and elsewhere.

Recommendations and Next Steps

Over the last year Congress and the Administration have taken initial steps to combat the proliferation of scam operations. In last year's report, the Commission recommended creating an interagency task force to combat scam centers. The Department of Justice-led Scam Center Strike Force was an important development along those lines.

Further, the DOJ's indictment of Chinese criminal kingpin Chen Zhi in Cambodia last October delivered a swift blow to one of the most powerful scam empires in the world. It also pushed the Chinese government to action. Chinese authorities extradited Chen Zhi back to the Mainland. While we welcome enforcement action, unfortunately, China's extradition limited international investigations into the extent of Zhi's ties to the CCP.

Still, the problem is growing, putting at risk the life savings of more and more Americans in every state and district. For these reasons the Commission proposed a number of other ideas for Congress to consider:

- The Commission's 2025 Annual Report included a recommendation that Congress direct the President to create an interagency task force on scam centers. While the

[6] USCC, Protecting Americans from China-Linked Scam Centers: An Update on Emerging Trends, March 5, 2026.

Administration recently created a Scam Center Strike Force, codifying a task force into law will ensure that it is permanent, accountable to Congress, and focused on the national security risks posed by China's involvement in the scam crisis.

- The Commission's 2025 recommendation called for greater cooperation between the U.S. government and U.S. technology companies to detect and stop scams. Reports indicate that scam-linked ads may be driving significant revenue to some technology intermediaries, indicating a need for more extensive cooperation in this space.
- The Commission's 2025 recommendation on scam centers called for creation of a national public awareness campaign and for enhancing law enforcement training on scams. There continues to be a significant victim reporting gap. State and local law enforcement agencies are often the first point of contact when Americans fall victim to scam centers, but most departments lack the training and resources to identify these cases as part of transnational criminal operations linked to China. Too often, cases are filed as isolated fraud incidents and never reach the federal investigators who could connect them to broader scam center networks. Congress should consider directing the Scam Center Strike Force to establish information-sharing mechanisms and training programs—particularly for departments serving communities with large elderly populations—that enable state and local agencies to identify, document, and refer scam center-linked cases to federal authorities.
- As the United States seeks to ensure it is the global leader in AI and cryptocurrency, the U.S. government has both an economic and moral imperative to stop criminal organizations from weaponizing these technologies to steal from Americans. Congress should consider ways to strengthen protections built into AI tools to prevent their use for scams.
- The Commission's 2025 recommendation called for greater cooperation between the U.S. government and financial intermediaries to detect and stop scams, particularly relating to cryptocurrency. Given their increasing use by criminal organizations to move large sums of money rapidly outside of the United States, Congress should also consider whether existing regulation of cryptocurrency ATMs is sufficient and should encourage states to strengthen oversight of cryptocurrency ATM operators, which are often subject to minimal state-level licensing requirements.
- The U.S. government's seizure of approximately $15 billion in Bitcoin from the Prince Group demonstrates that scam center proceeds can be identified and recovered through blockchain analysis. Congress should consider establishing a reward program that incentivizes cryptocurrency tracing firms and other private sector actors to identify and report stolen assets linked to scam center operations, modeled on existing whistleblower frameworks at the Securities and Exchange Commission and the Internal Revenue Service.

- Scam centers rely on spoofed phone calls, SMS phishing campaigns, and social media platforms to make initial contact with potential victims. Congress should consider requiring telecommunications carriers and social media platforms to implement stronger verification and detection measures targeting scam center-linked activity. Existing anti-spoofing frameworks such as STIR/SHAKEN (Secure Telephone Identity Revisited/Signature-based Handling of Asserted information using toKENs)—which require carriers to verify that caller ID information is legitimate before a call reaches the recipient—have helped combat domestic caller ID spoofing but were not designed to address the international calls, text messages, and social media outreach that scam centers predominantly use to target Americans. Congress should consider expanding the scope of these frameworks to close these gaps.
- Given the scale of the scam center problem, the U.S. anti-money laundering regime may be ill-equipped for the challenge of stopping transnational crime syndicates from exploiting cryptocurrency to launder the billions of dollars they steal from Americans each year. Congress should consider if U.S. anti-money laundering policies should be updated in light of the growth of scam centers and consider ways to expand cooperation with allies and partners to coordinate enforcement across borders.
- When scam center assets are successfully recovered, Congress should consider directing that the proceeds be prioritized for victim restitution rather than flowing into the general Assets Forfeiture Fund. These are stolen savings, disproportionately taken from elderly Americans, and victims should be first in line when assets are recovered.
- Chinese criminal networks have responded to crackdowns in Southeast Asia by globalizing their operations. In order to stop new clusters of scam centers from emerging in other regions, the United States should act proactively to make disrupting the development of scam centers beyond Southeast Asia a priority for U.S. diplomacy, intelligence gathering, security cooperation, and foreign assistance.
- Scam centers run by Chinese criminal organizations threaten the wellbeing of Americans and the security of the United States. The U.S. government should treat the scam crisis, alongside the fentanyl epidemic, as a priority issue in bilateral negotiations with Beijing and the governments of countries where scam centers operate.

Conclusion

The issue of scams and global fraud has rightfully gained attention from U.S. policy makers, exemplified by this hearing today and enforcement actions taken over the past year. However, the trends outlined in my testimony demonstrate how Chinese-linked scam operations continue to proliferate both globally and inside of China. As long as Chinese criminal networks believe they can earn higher profits with lower risk by scamming Americans, they will likely continue shifting resources away from Chinese targets and toward U.S. victims.

Thank you, and I look forward to answering your questions.