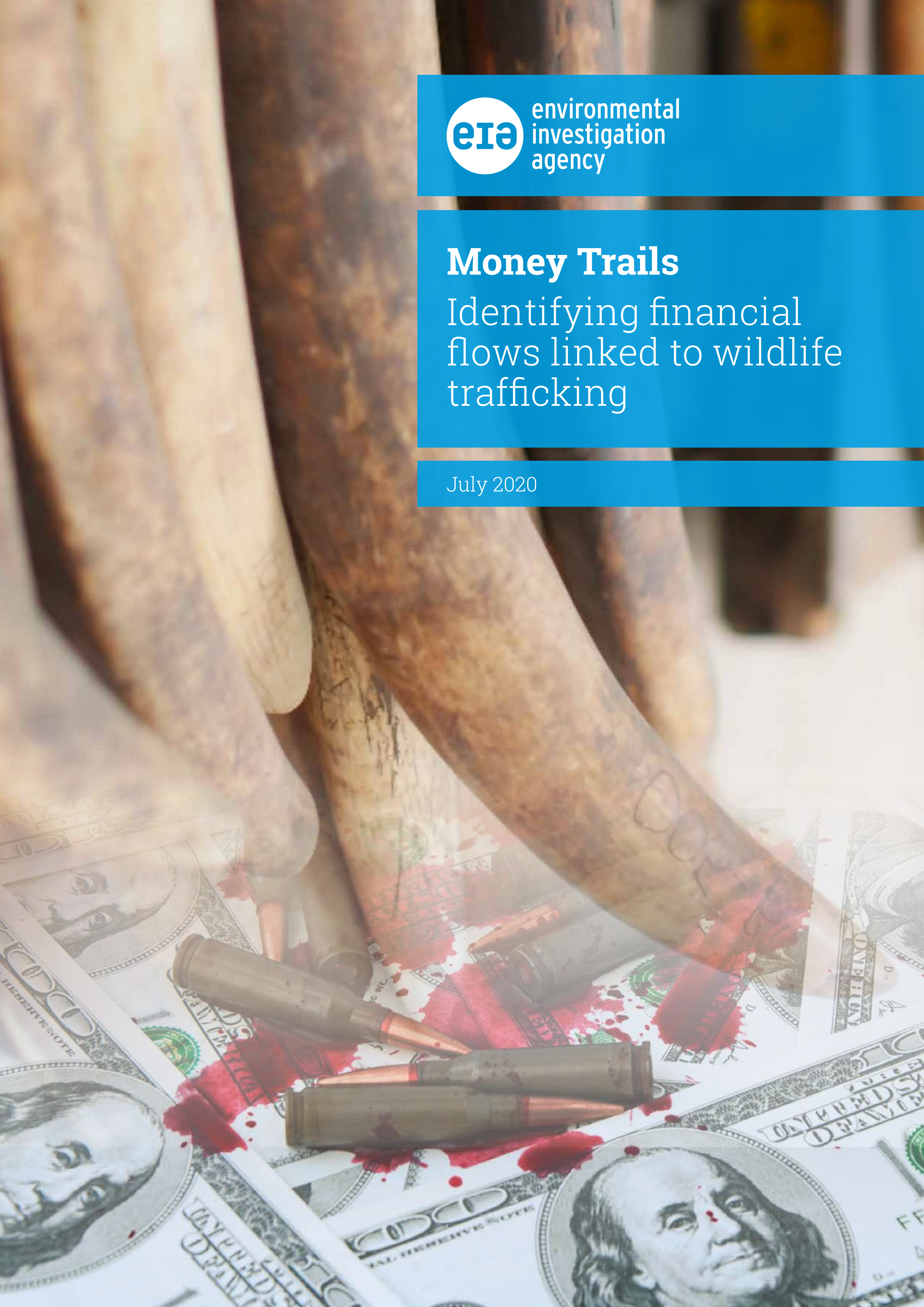

environmental investigation agency

Money Trails

Identifying financial flows linked to wildlife trafficking

July 2020


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Status of financial action against wildlife crime

The global illegal wildlife trade (IWT) is now recognised as a serious transnational organised crime. Although there are various estimates of the scale of the crime, the most commonly quoted figure puts the proceeds from IWT in a range of $7-23 billion a year.[1] While the upper range of this figure has been disputed, it is acknowledged that wildlife crime in its various forms is generating billions of dollars a year in profits for criminal syndicates.[2]

Analysis of historical seizure data shows that the incidence of IWT is far more geographically widespread and diverse in terms of the range of species than formerly believed. Scrutiny of 164,000 seizures between 1999 and 2015 records cases in 120 countries, with no single country the source for more than 15 per cent of the seizures and suspected traffickers coming from 80 countries. Almost 7,000 different species were seized, with mammals representing 30 per cent, reptiles 28 per cent and birds nine per cent. In terms of the monetary value, elephants were 18 per cent of the total, reptiles nine per cent, pangolins five per cent and rhinos three per cent.[3]

Over the past decade a dramatic surge in poaching and wildlife trafficking, spurred by a range of factors including growing wealth in main consumer markets and global connectivity, has led the international community to belatedly recognise the menace posed to biodiversity, ecosystems and the rule of law by rampant crime. A range of declarations and policy responses have ensued and in some of the regions worst hit by poaching such as East Africa there are signs the tide is turning.

Laws have been strengthened in key jurisdictions, regional law enforcement cooperation mechanisms developed, domestic markets for certain wildlife product closed and consumer awareness campaigns launched.

Yet some of the key tools deployed to fight other forms of transnational organised crime are still largely absent in the fight against wildlife crime, especially the use of anti-money laundering laws and financial investigations to go after the billions of dollars being made.

Barriers

An enforcement approach focused on the associated finances rather than just possession or transport of contraband wildlife could serious disrupt the crime syndicates involved in wildlife trafficking. In many countries, anti-money laundering (AML) laws incur higher penalties than wildlife laws, identification of assets derived from IWT can lead to confiscation and through investigating financial flows a wider picture of the criminal networks involved can be developed, including identifying the syndicate heads who usually do not touch the wildlife products but certainly do the money.

Despite the potential of this approach, effective deployment remains elusive. All too often major seizures of illegal wildlife products such as elephant ivory tusks or pangolin scales do not trigger a parallel financial investigation. Opportunities to pursue the syndicate heads are squandered and if anyone is arrested it is usually a lowly courier. A multi-tonne seizure, which if investigated from a financial perspective could yield important evidence and clues, becomes merely a business expense for the traffickers involved.

This failure has been borne out by the findings of two reviews carried out into the application on AML laws in IWT cases. A joint report by the UN Office and Drugs and Crime and the Asia Pacific Group on Money Laundering found that out of 45 countries surveyed while 86 per cent reported being affected by wildlife crime; only 71 per cent regarded wildlife crime as a significant money laundering threat. Only 11 per cent of the countries had conducted further investigations into the wider criminal network beyond the poacher or courier and in only one per cent of wildlife crime cases were money laundering investigations, charges or prosecutions conducted.[4]

A survey by the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) uncovered similar failings though a survey of Financial Intelligence Units (FIU), a government's key agency in detecting and analysing suspicious financial activity. The survey found that wildlife trading in the region was a lucrative business with significant financial gains, but almost all of the countries could not provide details on financial flows such as methods and techniques used to fund poaching activities in cases investigate. It also found that the FIUs in member countries were hardly involved in investigating wildlife crimes.[5]

Above: Populations of elephants and pangolins have been devastated by poaching to supply the illegal wildlife trade.

Opportunities

From the low baselines uncovered in the surveys, there has been progress on some of the structural issues impeding effective application of AML laws and financial investigations against IWT over the past few years, although actual cases of effective application remain few and far between.

An analysis of 110 countries found that 60 per cent had included wildlife trade crimes as part of their AML laws, either through application of an 'all crimes approach' (under which AML laws and penalties can be used in any crime) or by including wildlife crime as predicate offence. The analysis also uncovered gaps and weaknesses in some of the countries legal systems, such as Tanzania where the predicate offence only covers poaching and not wildlife trade crimes.[6]

The inter-governmental Financial Action Task Force (FATF) is the global standard setter on anti-money laundering measures and as such has a potentially vital role to play in tackling illicit financial flows linked IWT. A key tool is the National Risk Assessment (NRA) process through which a country's FIU must assess the risk of money laundering posed by different crime types such IWT and demonstrate measures to mitigate the risk. Failure to do so can lead to the country being placed under review as part of the mutual evaluation process and ultimately face actions which can affect access to the global financial system.

Until recently the FATF had been largely silent on IWT, but in June 2019 the incoming Chinese presidency pledged to focus on IWT during its year-long tenure. This has already served to raise the profile of IWT within the organisation and national FIUs, which should leverage the wider inclusion of IWT as a significant risk in more NRAs. Other potential measure by FATF include ensuring one of its key recommendation of carrying out parallel financial investigations in criminal cases is applied to IWT and bolstering training of financial investigators in countries prone to IWT offences.[7]

Recent NRAs in jurisdictions known to be IWT hotspots reveal patchy progress. One barrier is the dearth of actual financial cases being investigated resulting in IWT being classified as a minor risk. This is certainly the case in Laos, where the country's NRA states that environmental crime (including IWT) cases account for only 0.8 per cent of predicate offences in the country during the period 2013-16 and just 4.4 per cent of proceeds from predicate offences during the same period. The assessment also finds that most of these cases are linked to local livelihoods and as such do not represent commercial activity.

These findings go against a wealth of evidence demonstrating that Laos serves as an important transit route for IWT trafficked by transnational crime syndicates. For example, in 2013 the US Government offered a $1 millionreward for information leading to the dismantling of the notorious Laos-based Xaysavang syndicate, describing it as "one of the most prolific international wildlife trafficking syndicates in operation".[8] EIA has also documented the open sale of illegal products including ivory and tiger parts within Laos.[9]

Above and top: Major seizures of illegal wildlife products such as elephant ivory and pangolin scales rarely prompt financial investigations.

Conversely, the NRA completed by Malawi in 2018 is a more accurate and transparent assessment of the risk posed to the country's financial system by IWT. The country has emerged as both a source and transit country for IWT and its assessment appropriately ranks wildlife crime as a medium to high offence, estimating that this crime type generated criminal proceeds of up to $45 million between 2013-17. The report also highlights deficiencies in responding to the risk, mentioning the near absence of money laundering investigations, prosecutions and convictions.[10]

Even in the few cases where AML charges have been deployed against wildlife traffickers, the resulting penalty does not fit the crime. Malawi's NRA mentions a 2013 case where two Malawian nationals were caught in possession of 2.6 tonnes of ivory tusks, valued by the Government at Malawi Kwacha four billion ($6 million). The suspects were found guilty on charges of money laundering and possession, but were sentence to either a paltry fine of Malawi Kwacha five million ($7,000), just 0.17 per cent of the value of the tusks, or five years in jail. Unsurprisingly, they opted for the fine, which was paid in cash. (See box: The Kaunda Case)

Above: Charles Kaunda, arrested for smuggling 2.6 tonnes of ivory into Malawi in 2013. Financial analysis shows he was part of a major wildlife crime syndicate.

The Kaunda Case

In 2018, Malawi's Financial Intelligence Authority (FIA) released a report on money laundering trends, recognising illegal trade in wildlife as an emerging risk and identifying as a red flag accounts benefiting from the international inward transfer of funds from destinations associated with the ivory trade.

As an example it quotes the case of two Malawians caught in 2013 transporting 2.6 tonnes of ivory, stating: "There was information that the two Malawians were part of a syndicate of foreign nationals who were not identified and arrested. FIA noted that one of the two convicted individuals received funds from Hong Kong through Western Union."[11]

EIA has conducted extensive research into this case, which aptly illustrates how financial investigations can be used to build a picture of wider transnational networks spanning source, transit and destination countries and to identify individuals and front companies involved.

The seizure in question occurred in May 2013 when two Malawian brothers, Charles and Patrick Kaunda, were stopped at a mobile customs checkpoint in north Malawi after driving a truck declared to contain sacks of cement across the border from neighbouring Tanzania. Beneath the sacks of cement, officers discovered 781 ivory tusks weighing 2.6 tonnes. The truck was registered to a company based in the capital Lilongwe, called City Car Hire and owned by Charles Kaunda and his wife. The same truck had previously crossed through the same border post in March and April, with cement declared as the consignment on both occasions.

Follow-up investigations in Malawi and Tanzania led to large house in Dar es Salaam where the tusks had been collected and a further 347 tusks were found, alongside bags of cement. A Tanzanian military officer residing at the premises was arrested. Evidence pointed towards a cross-border ivory trafficking network which had built a safe route from Dar es Salaam, home to a major port, via landlocked Malawi and out through the port of Beira in neighbouring Mozambique.

Examination of shipping records showed that Charles Kaunda had previously shipped 14 containers along the Lilongwe-Beira route to East Asia between 2010-15, using the same freight agent every time. The containers were either declared as sawn wood or semi-precious stones and the destinations were Singapore, Malaysia and Indonesia, all of which have featured as transit countries for ivory shipments. The shipments also did not make economic sense. One shipment of sawn timber to Port Klang in Malaysia (a major timber producing country) was valued at $2,000.

Western Union money transfer records for Charles Kaunda show payments made to him from individuals in Hong Kong and Malaysia, often coinciding with the container movements. One of the people making transfers to Kaunda from Hong Kong was Malaysian national Wang Yong Sai. Also known as Peter Wang, he was the chief suspect in a 2002 case involving the seizure more than six tonnes of ivory in Singapore, which had been sent from Lilongwe.[12] Analysis of shipping records indicated that Wang had made 19 previous ivory shipments dating from the mid-1990s. In addition, one of the shipments made by Kaunda listed as the consignee a Malaysian company linked to Wang's brother Wag Jun Teng.

Through analysis of shipping and fund transfer records, what at first appeared to be an opportunistic ivory smuggling attempt at a remote location in northern Malawi can be connected to an Asian-led ivory smuggling ring, active in Malawi for two decades.

The two Kaunda brothers were initially fined Malawi Kwacha 5,000. The prosecution appealed the case and in July 2019 the Supreme Court sentenced them to eight years in jail. They were not in court to hear the verdict and promptly absconded.

Private sector financial institutions have a crucial role to play in identifying and reporting suspicious transactions linked to IWT to the relevant authorities, usually the FIU. Obstacles to the effective involvement of banks in efforts to disrupt IWT syndicates include a focus on other priority crime types and an overall lack of cases and awareness on IWT among bank compliance officers.

Progress was made in October 2018 with the formation of the United for Wildlife Financial Taskforce, which has more than 35 financial institutions as members. The taskforce assist banks to identify suspicious transactions linked to IWT by issuing regular alerts on trends and seizures. It also distribute a list of common 'red flags' on common methodologies to further aid detection. For their part, member banks undertake to provide training on IWT to compliance staff and to include IWT factors in due diligence screening.

NGOs involved in researching and investigating IWT cases also have a role to play in assisting banks. by providing appropriate information. For example, information provided by EIA to "Know Your Customer" databases, one of the tools to vet potential new clients, has led to the creation of 850 new profiles on individuals involved in wildlife crime since June 2018.

Above: Proceeds of crime – mansion owned by a major ivory trafficker in Shuidong town, southern China.

Opposite page: Rented house in an upmarket suburb of Dar es Salaam, Tanzania, used as the base for an ivory trafficking operation.

EIA case files

To assist both banks and national enforcement agencies, especially FIUs, to effectively deploy anti-money laundering measures against wildlife criminals, detailed information on how syndicates move the money is vital. Currently, the lack of case analyses and detailed intelligence is an impediment to detecting and disrupting IWT-linked financial flows. The development of typologies, detailing the various techniques used to launder money, and red flags, relating to IWT trends such as smuggling routes and methods, are crucial in targeting public and private sector resources.

EIA has developed a series of typologies based on major wildlife trafficking cases, drawn from open source research, investigations and official documents such as court records. These case files have been provided to a range of banks and FIUs to assist in filling the information gap which constrains effective action against money launderings linked to wildlife crime.

The cases featured in the report focus on major ivory tusk trafficking cases from eastern Africa to East Asia during the period 2013-18. Bulk trafficking of tusks in multi-tonne consignments offers valuable information for financial investigation due to the amount of money involved and the use of maritime freight for smuggling the contraband, all of which leave a clear money trail. In such cases, while poaching and small-scale dealing at the start of the supply chain usually involve cash, once the tusks are consolidated the value increases and multi-million dollar transactions occur, which usually involve the formal international bank system.


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The raid in Mikocheni

During the past decade, Tanzanian lost more elephants to poaching than any other country in Africa. Between 2009-14 its elephant population plummeted from 110,000 to 43,000, a 60 per cent loss. During this period it was targeted by organised crime groups intent on trafficking huge amounts of raw ivory tusks from East Africa to burgeoning markets in East Asia, principally China. The potential profits were huge, with a kilo of raw ivory which could be brought from local poachers for a little as $50 fetching up to $2,000 per kilo in China. .

EIA's research reveals that between 2009-14, 40 tonnes of ivory tusks originating from Tanzania was intercepted outside the country and 22 tonnes seized inside the country, with the 62 tonnes worth approximately $120 million in the end market. As the seizures represented a small fraction of the total amount trafficked, huge profits were being made by criminal gangs through the slaughter of Tanzania's elephants.

Poachers to packers

In November 2013, at the height of the carnage, police in Dar es Salaam, Tanzania's commercial capital, were conducting surveillance on a large house in the wealthy suburb of Mikocheni. Attention had been drawn to the premises, surrounded by high walls topped with barbed wire, due to suspicious vehicle movements. A raid was carried out and three Chinese men were discovered packing ivory tusk sections into sacks with seashells and garlic. In total, 706 pieces of tusks were seized, weighing 1.8 tonnes and valued by the Tanzanian government at $2.5 million.

The three men were identified as Huang Gin, Xu Fujie and Chen Jinzhan. The first two had been in Tanzania for several years, while the third had arrived from neighbouring Uganda a few days before the raid. At attempt was made to bribe the arresting officers with $50,000 in cash. A further $30,000 of currency (both US dollars and Tanzanian shillings) was found. The three were charged with unlawful possession of wildlife and corruption. Huang and Xu were subsequently sentenced to 30 years in jail, while Chen was acquitted on the grounds he had only recently arrived.

Follow-up investigations led to the identification and arrest of two Tanzanian nationals who had supplied the ivory seized in the raid; Salvius Matembo and Julius Philemon Manase. Matembo admitted to being involved in the ivory trade since the late 1990s and specialised in procuring and transporting ivory tusks from southern Tanzania to mostly Asian buyers based in Dar es Salaam. Adapted vehicles were used to ferry the tusks northwards, with special compartments and interchangeable licence plates. In February 2019, Matembo and Manase were sentenced to 15 years in jail. They were tried alongside a Chinese female named Yang Feng Glan, who had established a series of businesses in Tanzania since her arrival around 2000 and was a well-known member of the local Chinese community. She received the same sentence for dealing in ivory.

Transporters

Shipping documents discovered at the Mikocheni residence indicated previous exports by the group and a suspicious consignment about to leave from the Tanzanian port of Malindi, in Zanzibar. Authorities detained the container, declared as shells, as it was about to be loaded onto a vessel for transport to Manila port in the Philippines. Upon inspection, a further 1, 023 pieces of ivory tusks were discovered concealed in sacks with shells and garlic. The tusks weighed 2.9 tonnes and were valued by the Tanzanian Government at $3.4 million. Six suspects were arrested in Zanzibar: three customs officers, two freight agents and the registered owner of a recently established seafood exporting company.

Front businesses

Further scrutiny of documents found at the house in Dar es Salaam revealed two Tanzanian-registered companies – Evergo International and YQP International – operating at the address. The firms were ostensibly engaged in importing agricultural products and foodstuffs from China and exporting marine products to China. Boxes of Chinese garlic were found at the premises during the raid. Company records led the Tanzanian authorities to identify two Chinese nationals, Deng Jiyun and Zhang Mingzhi, controlling the companies. Both fled to China soon after the raid. Despite INTERPOL Red Notices being issued for their arrest, they have not been caught.

Initial financial investigations uncovered accounts in both US dollars and Tanzanian shillings linked to Evergo and YQP, held with two banks. Personal accounts for Deng's name were also identified. Transactions analysis showed transfers with four accounts linked to four companies in mainland China and three based in Hong Kong. The four Chinese businesses purported to deal in foodstuffs and general import and export. Two of the Chinese companies were registered in Hunan Province, known as a centre for ivory trading. A Hunan-based Chinese national named Tian Xia was linked to two of the companies, as the director of both Good Honest International Developments in Hong Kong and Changsha Yuxuan Grain and Machinery, which exports garlic. .

The Tanzanian-registered companies were created as a front to conceal the group's ivory trafficking activities and cover the movement of funds between linked entities in China and Hong Kong. For example, Deng's co-director at Evergo was the Tanzanian security guard for the Mikocheni house. On a single day half a million dollars in cash was paid into the main front company account in two tranches, yet no suspicious transaction report was raised by the bank.

Above: Chinese nationals caught packing ivory tusks after a police raid.

Opposite page: Shuidong, southern China, the destination for 80 per cent of ivory tusks smuggled from Africa to China, according to traffickers from the town.

Case summary

Intelligence-led enforcement by the Tanzanian police led to the seizure of 4.7 tonnes of ivory valued at $5.9 million. Lengthy jail sentences were handed down to the Chinese packers and the two Tanzanian dealers. Yet the Chinese coordinators, identified through company and financial records fled soon after the initial seizure.

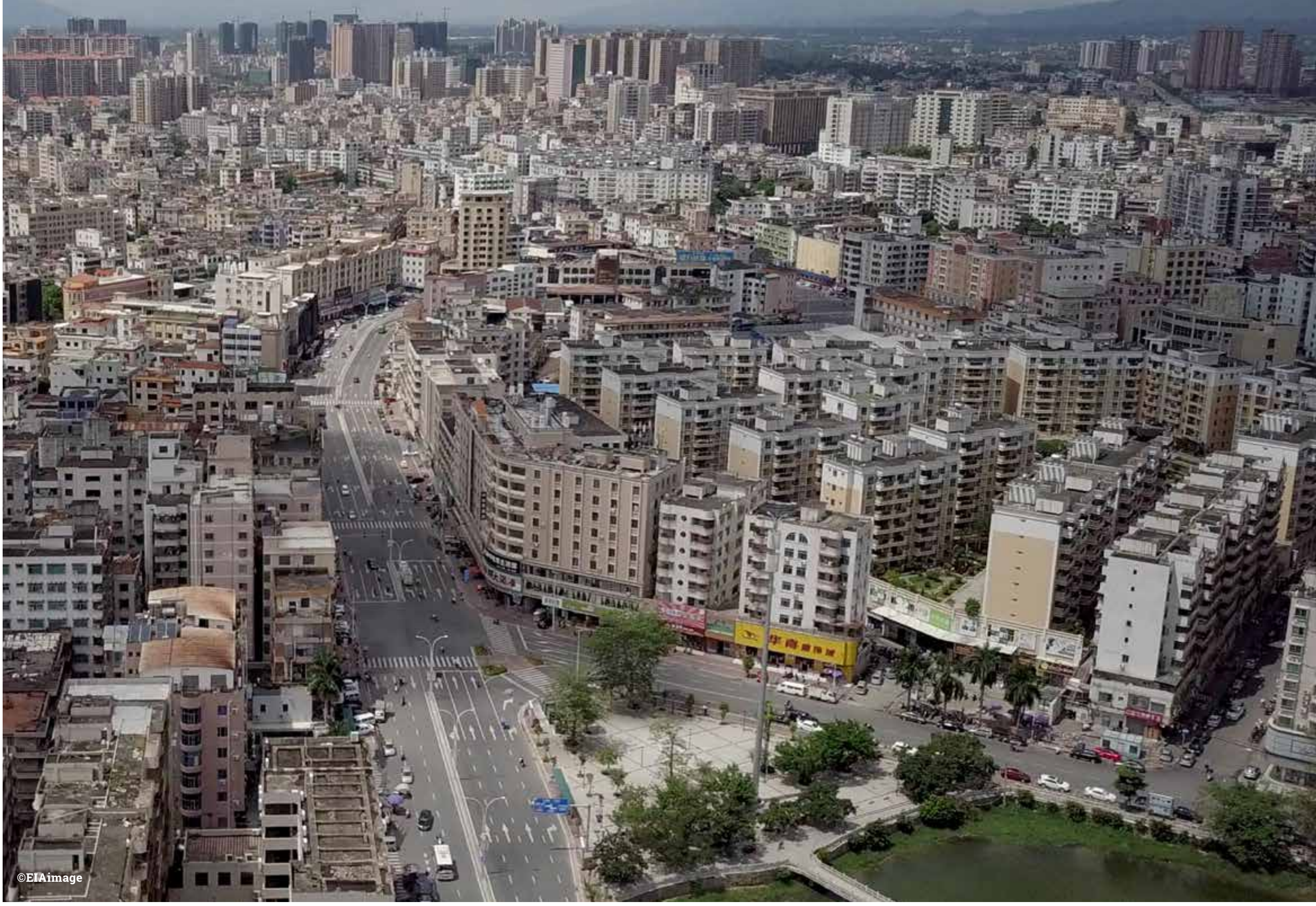
Although a financial investigation was initiated, it appears to have petered out and did not lead to money laundering charges although it did reveal how the main culprits had devised a system of front companies to mask their ivory trafficking activities. The formal banking system was used for transfers between related accounts in both dollars and Tanzanian shillings, yet large cash deposits were overlooked by the banks concerned.

Red flags:

• significant cash payments into accounts linked to individuals from high risk IWT jurisdictions;

• general trading companies set up foreign nationals and registered at residential addresses;

• exports of relatively low value commodities such as shells from East Africa to Asia.



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The Shuidong Syndicate

Tanzania's southern neighbour Mozambique has also suffered devastating levels of elephant poaching, reducing its population to just 9,605 in 2014, a 53 per cent decline in just five years. The poaching has been concentrated on the Niassa Reserve in the north of the country, with the nearby port of Pemba offering a convenient exit route for large-scale ivory consignments.

In April 2016, an EIA investigative team travelled to Pemba to assess the scale of ivory trafficking in the area. By chance, they encountered a group of three Chinese men, accompanied by a Tanzanian driver. The three spoke with the distinctive dialect of a town in southern China's Guangdong Province called Shuidong. Two years previously EIA had learnt of the prominent role played by Shuidong natives in ivory tusk trafficking during an investigation in Zanzibar. Local sources told how traders from Shuidong had first moved to Africa to deal in sea cucumbers, a lucrative delicacy in China, and had since branched out into ivory trading. The most prolific smugglers in Zanzibar were said to hail from Shuidong.[13]

The trio encountered in Pemba at first claimed they were in town to buy seafood products and sell aluminium windows. Each day they would leave town with their driver in a Tanzanian-registered vehicle, returning in the late afternoon. On occasion they would mention the ivory business as an activity other people from their town did, but stated they were not directly involved.

As their explanation for being in Pemba did not appear credible, EIA investigators maintained contact remotely after parting ways and arranged to meet up in their home town of Shuidong two months later. Safely back home, the group readily admitted their true purpose in Pemba – to inspect three tonnes of ivory they had commissioned through their Tanzanian driver at the start of the year. They has discounted 700kg of the tusks due to poor quality, purchasing 2.3 tonnes. After completing the deal in late April, they had left Pemba with the shipping Bill of Lading in their possession to await delivery to Shuidong. EIA maintained contact with the group through regular calls and follow-up meetings until the consignment finally arrived in Shuidong in October, after following a complicated shipping route. The EIA team was invited to inspect the consignment as prospective buyers and viewed 500kg of the best quality tusks at a house in a remote location outside Shuidong. The deal, of course, was not completed, with the 2.3 tonnes being sold to regular buyers from neighbouring Fujian Province instead.[14]

This in-depth engagement with an active ivory smuggling group yielded fascinating insights into their operating methods, including financial aspects such as profit margins, payments to accomplices and the use of both underground money changers and the formal banking system. The main findings are summarised below.



The traffickers

The three individuals encountered in Pemba had specific roles within the loosely structured group. Two of them had been involved in ivory trafficking for more than a decade, having been introduced to the business by their uncles who had grown rich through trading ivory tusks.

During the investigation period (April 2016 to July 2017), members of the group claimed involvement in illegal shipments of ivory tusks from Africa to China totalling 20.7 tonnes (equivalent to 3,000 dead elephants) with a sales value of $16 million in China.

Each of the three played a distinct role in the 2.3 tonne shipment from Pemba:

Ou Haiqiang (top left): Owned a 50 per cent share of the consignment and had the contacts to sell the tusks to Chinese buyers once the shipment reached Shuidong.

Xie Xingbang (top middle): Employed as a fixer for a set fee due to his experience in East Africa and his relationship with the Tanzanian driver; received a fee of RMB450,000 from the owners of the consignment.

Wang Kangwen (top right): Travelled to Pemba as the representative of a Hong Kong-based businessman referred to by the nickname of "Nan-Ge", real name Wong Muk Nam who owned the remaining 50 per cent of the consignment. Wong is involved in a plastics company registered in China and called Foshan Shunde Weizhuo Plastics Company. Both Wang and Wong are listed as directors of Hong Kong-registered companies.

By late 2016, two members of the group – Ou and Wang – had switched their ivory smuggling activities to Nigeria in West Africa. The main reason was the higher market price in China for so-called 'yellow ivory' from forest elephants found in Central and West Africa. The two Shuidong natives formed a partnership with a Chinese national from Fujian Province based in Lagos, Nigeria as a timber dealer and cooperated on the successful import of three tonnes of ivory, which arrived in Shuidong in late March 2017, concealed in a consignment of peanuts. Both Ou and Wong were also involved in smuggling pangolin scales


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The procurer

The Chinese traffickers did not directly source poached elephant tusks themselves. Instead, they relied on a trusted local confidantes based in Africa to collect the ivory from local poachers and intermediaries. For the 2.3 tonne shipment, they engaged an unidentified Tanzanian national nicknamed "Sele", who accompanied them during the inspection in Pemba.

Funds were transferred from China in several tranches by the group to fund the collection of ivory until a volume of three tonnes was reached. A down-payment of $100,000 was made in cash in January 2016 during a meeting between two of the Chinese smugglers and their Tanzanian accomplice in Dar Es Salaam. An initial price of $250 per kilo was agreed. The Tanzanian collected the money and used contacts in southern Tanzania and northern Mozambique to source tusks. Some of the funds were also used to finance poaching trips and to pay bribes to local officials. It took approximately three months for the Tanzanian to accumulate three tonnes of tusks. The balance of funds was paid by the Chinese traffickers once inspection of the gathered tusks had been carried out and the shipping bill obtained. The final price paid was $300 per kilo, known as the "BOL price", referring to the Bill of Lading or "dragon service".

The shipper

The 2.3 tonnes of ivory tusks which the group purchased in Pemba in April 2016 were packed in a 40-foot shipping container, concealed with 20 tonnes of plastic pellets and loaded aboard a vessel which sailed out of Pemba port on 28 April 2016. The consignment took a circuitous route: Pemba (Mozambique) to Mombasa (Kenya) to Singapore to Busan (South Korea) to Hong Kong. It arrived safely in Shuidong in late September 2016.

Although the route did not make commercial sense, it was ideal from a smuggler's perspective due to the involvement of an accomplice in the freight forwarding business and the use of transit countries to defeat risk-profiling systems used by the customs authorities in China, the final destination. The original Bill of Lading issued in Pemba covered the journey to Busan, Korea. The contraband was then packed into a different container and a new set of shipping documents issued covering onward transport to Hong Kong. Upon arrival in China, it would appear the shipment came from Korea and not Mozambique.

The smuggling operation was assisted by complicit freight agents along the route. An unidentified freight agent in Pemba was said by the group to specialise in ivory exports, had good contacts with local customs and even traded in ivory himself. The freight agent used in Busan, Li Fu-Ping, specialised in illegal wildlife and charged different fees for arranging onward shipment depending on the species – $145 per kilo for ivory and $45 per kilo for endangered pangolin scales. The relationship with the Busan freight forward was held by the Hong Kong investor Wong, who had successfully carried out five shipments of containers with ivory and pangolin scales along the route in a two-year period.

The choice of plastic pellets for concealment was also carefully chosen by the group. As Wong owned a plastics production factory in Shunde, southern China, called Foshan Shunde Weizhuo Plastics Company, the apparent shipment of plastic pellets from Busan to Hong Kong would not appear suspicious to customs officers. The use of plastic pellets was so important to the group that the material was driven from Dar es Salaam in Tanzania as it was not available in Pemba.

Previous page: The three ivory traffickers encountered by EIA investigators in Pemba, northern Mozambique, who were in town to inspect three tonnes of poached ivory.

Above: Pemba port, from where the container with ivory concealed inside began its circuitous journey to Shuidong.

Buyers

When EIA investigators viewed part of the ivory consignment smuggled from Pemba, the asking price for the high quality tusks was RMB5,100 ($720) per kilo, compared with RMB4,000 ($565) per kilo for the whole amount of 2.3 tonnes.

The Shuidong group revealed that most of their buyers came from neighbouring Fujian Province, especially the ivory carving centres of Putian and Xianyou. Usually, consignments of tusks would be sold within a week of arrival in Shuidong, with the buyers from Fujian transporting the chosen tusks in a fleet of SUV vehicles. The Fujian buyers would then them sell on to carving factories for processing into finished products for sale within China.

Chinese court records indicate that Wang orchestrated the eventual sale of the 2.3 tonnes of tusks to an individual called Wang Zhi-Yong, from Fujian, and his associates. The ivory was sold in three batches: 717kg on 31 October 2016, 797kg on 20 December 2016, and 791kg on 16 April 2017. The buyers made three separate payments by transfer to Wang's bank account for the three batches – RMB2.87 million, RMB3.25 million and 3.29 million. Total payment for the 2.3 tonnes was RMB9.35 million ($4.9 million).

Wang made three separate payments to Xie for his role in connecting the Chinese investors to ivory suppliers in Tanzania and Mozambique. These payment were made from Wang's bank account to two bank accounts linked to Xie. In total, three payments were made (one on 26 April 2016 after the successful loading of the contraband in Pemba, one on 31 October 2016 coinciding with the sale of the first batch of tusks and one on 22 December 2016 just after sale of the second batch). In total, Xie was paid RMB 408,815, of which RMB350,000 was his fee and RMB58,815 payment for the purchase of the plastic pellets used to conceal the tusks during shipping.[15]

The Shuidong group revealed that the profit margins for 'white' ivory from savannah elephants was declining from a peak of RMB10,000 per kilo around 2013 to RMB5,000 for quality tusks. Conversely, the sales price of RMB6,000 for 'yellow' ivory from forest elephants was lucrative, explaining the decision by Ou and Wang to switch sourcing to Nigeria.

Opposite page: Two of the Shuidong syndicate members showing 500kg of the tusks smuggled from Mozambique to EIA undercover investigators.

Case summary

The two main financial flows associated with the ivory trafficking activities of the Shuidong group are:

• Transfer of funds from China to Africa to fund ivory collection and pay the balance owing once the contraband had been inspected.

To accomplish this, the group used a network of Chinese informal money changers based in Africa. Money in Chinese renminbi would be paid into a designated Chinese account belonging to the selected money changer. The funds would then be paid out in US dollars cash in Africa and collected by the Shuidong smugglers or their accomplices. The group used trusted money changers based in Dar es Salaam, Tanzania and Lagos, Nigeria.

• Payment for ivory tusks sold within China by the Shuidong group to buyers from Fujian. These transactions are all made in Chinese renminbi, either by bank transfer or sometimes cash.

The Shuidong group used a system of joint investments to fund the purchase and transport of ivory from Africa in order to spread the risk in case of seizure. Members of the group also used some of the profits from a successful shipment to source ivory for the next consignment, constantly recycling some of the profits into further consignments. For example, in October 2016 Ou was looking for a quick sale of the ivory smuggled from Pemba as he had to send RMB2.5 million to a money changer in Lagos, Nigeria to fund the further collection of ivory.

In early July 2017, Chinese law enforcement agencies carried out a raid of selected premises around Shuidong. The major operation led to a series of arrests for wildlife crimes, including Wang Kangwen, who was subsequently sentenced to 15 years in prison. In April 2018, Xie Xingbang was located in Tanzania and voluntarily returned to China where he received a six-year jail term. In January, Ou Haiqiang was extradited from Nigeria to face trial. Wong Muk Nam is the subject of an INTERPOL Red Notice but has yet to be caught.

Red flags:

• use of circuitous routes that do make economic sense to send containers from Africa to Asia involving multiple transit ports;

• alterations to the original Bill of Lading while the shipment is underway;

• companies/individuals in high-risk IWT jurisdictions in Africa exporting plastic pellets, seafood products and agricultural products such as beans;

• large withdrawals of cash in dollars from Chinese-owned money exchanges operating in high-risk IWT jurisdictions in Asia.


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Main Findings

- Africa-Asia ivory tusk trafficking involves two main financial flows: funds from Asia to procure ivory (where expenses are made) and funds from sale within Asia (where profits are made).
- Use of front companies and businesses to mask illicit IWT activity, such as marine products, timber, general trading.
- Common use of the formal financial system, such as account transfers from buyers to sellers in destination country.
- Informal money changers often used to move funds from destination to source countries.
- US dollars frequently used to purchase illegal wildlife in African source countries.
- Specialist freight agents often used to defeat customs risk-profiling.
- Common use of transit ports along the route to mask the source country.
- Ownership of consignments often shared among several investors to spread the risk.
- IWT syndicates are flexible, mobile and often deal in other wildlife products such as pangolin scales, not just ivory.
- Major shift in ivory trafficking hotspots from East and West Africa.
- Need to deploy financial investigations from the outset of a case.

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