

The Financial Flows of Wildlife Crime

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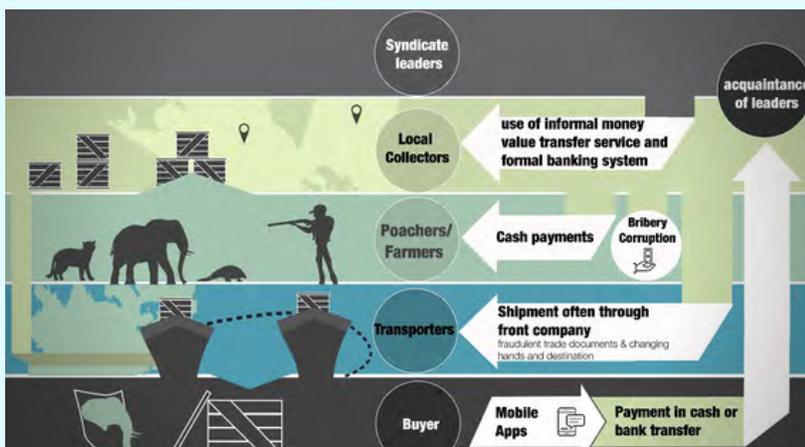
Many of us care about Earth's biodiversity and we recognize the spectacular driving force that is evolution. We recognize the intrinsic value of species and ecosystems. That is why issues like the illegal wildlife trade (IWT) and related crimes are unsettling. To motivate larger governing bodies to take action against wildlife trafficking is often (correctly) framed as an environmental security issue. The IWT encompasses the ivory trade, rhino horn trade, and hundreds of other trafficked species. According to the United Nations Office on Drugs and Crime (UNODC), the IWT is valued at \$8-10 billion per year. This fact alone motivates government action and helps lead criminal investigations. By conducting financial investigations and taking a "follow-the-money" approach, we can build upon our current understanding of IWT, punish criminals, and take further preventative action.

WHY WE ARE INTERESTED IN THE FINANCES OF WILDLIFE CRIME:

There remains unexplored avenues to combat illegal wildlife trafficking and related crimes. Recently NGOs like United for Wildlife and their Financial Taskforce have supported financial investigations that aim to follow the money of the IWT. The money trail can be traced to poachers, bribed middlemen, and buyers. The financial crimes of wildlife trafficking are of particular interest to law enforcement as they have historically been used to prosecute wildlife crime in regions where environmental laws are weak or not enforced. The sheer abundance of related crimes committed during the trafficking process supplies numerous points for prosecution.

For instance, a local villager commits theft when poaching wildlife. Middlemen commit fraud when using fraudulent permits and documentation to smuggle wildlife products and bribery is encountered at various steps in the supply chain. The proceeds are then laundered through various methods. The list of crimes goes on to include tax evasion, theft, and corruption. Financial investigations for these crimes have helped law enforcement stop bad actors and disrupt the criminal networks.

EXAMPLE OF WILDLIFE TRADE SUPPLY CHAIN AND PAYMENTS



Source: FATF June 2020 Report: Money Laundering and the Illegal Wildlife Trade

Syndicate leaders obtain buyer money where it is then moved to local collectors via formal banking systems or informal money transfers.

From there, the local collectors use cash to employ poachers and bribe corrupt officials such as park rangers or those in the transport sector. Successful smuggling of illicit wildlife products is dependent on the complacency of a network of transport officials who conceal the origins of the wildlife and their true destination with fraudulent documents.

To launder proceeds, criminals rely on existing financial institutions to host money mule accounts that accept seemingly innocuous cash deposits and money transfers. They effectively help hide the identity of the sender and receiver of funds.

IN THE CONTEXT OF IWT, SCALE MATTERS:

The details of investigations change from case to case as the criminal networks and trade routes differ. At one extreme, we have the ivory trade in which we see the militarization of poaching and in the defense of elephants. The ivory trade is well documented; conservationists have been combating this illegal trade issue since the 1980s. Sensational stories tell of organized crime syndicates and how the proceeds of the trade benefit terrorists. Indeed, these are valid points as the ivory trade has been connected to Al Shabaab and Joseph Kony. However we should temper those stories with the fact that the ivory trade did not start with terrorist groups nor will it end with their downfall. In the context of financial investigations, the weaponry and supplies used by poachers is indicative of high financial costs and alludes to interesting financial flows.

Conversely, there is an emerging jaguar trade coming out of Bolivia and surrounding countries. Seizure data shows the jaguar trade has been increasing since 2012 and has been driven by Chinese demand. Like elephant ivory, jaguar parts are used in traditional Chinese medicine and are highly valued. While most cases in Bolivia have involved Chinese actors, the assertion that there is a large criminal network at play is not quite evident. Researchers at Oxford suggest that the jaguar trade has been driven by opportunity rather than international trade. The local context suggests that the animals are not persecuted; instead, they are killed and enter the trade when they come into conflict with local humans. Certainly there is potential for a larger, more organized illicit trade. The region has also seen an increase in the presence of Chinese influence; historically, this has presented a risk for increased IWT. The situation should be closely monitored as jaguar populations have a vulnerable status.

THE PRIVATE SECTOR'S ROLE:

In their June 2020 report, the Financial Action Task Force (FATF) details how private and government institutions can take anti- money laundering action to successfully monitor illegal proceeds from the international wildlife trade. With dedicated resources institutions should be able to watch for suspicious transactions and account activity. Criminal dependence on existing institutions presents clear motivation for the private sector to monitor suspicious activity and in doing so, protect themselves.

It is often insufficient to prosecute individuals based on violations of environmental laws alone. By prosecuting financial crimes linked to the IWT, convictions can be made more severe – known as the “all crimes approach”. Oftentimes, prosecuted individuals are administered a light sentence that does not ultimately deter repeated criminal behavior, nor does it set up legal precedence that prevents imitations. Until environmental laws are improved, we can better address the illegal wildlife trade by prosecuting financial crimes.

FATF INDICATORS OF LAUNDERING IWT PROCEEDS: EXAMPLES OF WHAT IS MONITORED

- Large cash deposit by government officials working in wildlife protection agencies, border control or customs and revenue officials.
- Middleman transactions - large incoming payments followed by smaller outgoing payments.
- Transactions from known traffickers to individuals who then pay for couriers or packages via the post.
- Involvement of legal wildlife-related entities such as private zoos, breeders, (exotic) pet stores, safari companies, pharmaceutical companies making medicines containing wildlife and wildlife collectors or reserves.



Recommendations from the Organisation for Economic Co-operation and Development (OECD)

- Liaise with financial intelligence units and ensure that, parallel financial investigations are conducted following all major incidents. Liaise at the international level with partner countries as part of these investigations.
- Given the prevalence of corruption as an enabler of IWT, agencies should develop and complete an investigatory checklist of corruption indicators to guide this process. Investigators must place emphasis on 'tracing back' corrupt facilitation across earlier stages of the supply chain by exploring prior actions and facilitating measures that are likely to have enabled goods to arrive at the point of seizure untouched.
- Support strategic cooperation with private and other non-governmental actors to achieve key accountability and transparency outcomes. Such cooperation can be effective at the level of protected-area management, where lack of oversight can hamper visibility. Public-private partnerships can also be effective at the central level, where NGOs maintain MoUs to provide strategic input and investigate or prosecute on behalf of wildlife management authorities and other government Agencies.

Benefits of Actions

- Having multiple eyes on criminal financial flows is essential for conducting thorough investigations. As these are international crimes, multiple countries are implicated. Multiple investigations will help cover more ground and gather intelligence.
- The corruption of wildlife management agencies, the transport sector, and the financial sector enable IWT. Corruption is an obstacle that is difficult to extinguish and may be indicative of larger issues within relevant bodies. For example, import and export regulations may be too relaxed which facilitates document fraud and forgery. A checklist of corruption indicators should help identify occupations at risk of corruption and detailed methods of corruption. Such indicators are important for directing monitoring efforts.
- Collaboration is key. Conservation efforts such as combating IWT require more resources and attention. If institutions can pool their technology, information, and their authority, they can make informed decisions and deter criminal behavior. Transparency between these partnerships would also help prevent corruption – further disrupting criminal networks.

WHAT COMES NEXT?

The private sector must be vigilant and explore other avenues to help combat the IWT. Through collaborative efforts and information sharing, investigations will be more robust. Public-private partnerships encourage transparency and accountability while supplying resources to enforcement agencies and the conservationists protecting species.

It is imperative that greater actions are taken to halt corruption. More support from financial institutions through account monitoring, anti-money laundering practices, and client profiling would assist law enforcement efforts by deterring criminal activity. Meanwhile, enforcement agencies may benefit from exploring gaps in the supply chain that enable corruption.

Species extinction is occurring and will continue because of the illegal wildlife trade. If we want to truly disrupt criminal networks, then we must address the financial flows to strengthen convictions. Until the demand for wildlife products – the root of IWT – is quelled, we need to take action and be creative with our solutions.



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