

UDC: 343.359.3:502.211
DOI: 10.5937/PDSC24317Z

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ILLEGAL WILDLIFE TRADE AND MONEY LAUNDERING¹

Abstract:

In my paper, I explain what illegal trade in wildlife species means and what are the main threats it can pose to society and the security of certain countries and regions. In this context, I will explain that one of the main dangers is that, given the high illegal revenue, money laundering is inevitably linked to this activity, which entails additional risks, mainly economic. I will also draw on the relevant international literature to describe the various money laundering techniques associated with the illegal trade in wild fauna and flora, which largely bypass the banking system. In the article, I highlight the difficulties of preventing and detecting this type of money laundering activity by investigating authorities and highlight the basic requirements for more effective and successful criminal investigation.

Keywords: *wildlife crime, money laundering, international criminal investigation*

1. Illegal wildlife trade as an area of organised crime

The economic exploitation of certain wildlife species is not a recent phenomenon. It has been a key factor in the survival of some communities. Still, today, irresponsible and excessive hunting has reached such proportions that it has significantly accelerated the extinction of some species.

In recent decades, illegal trade in protected species of animals and plants on a global scale has posed a serious threat to biodiversity², the significant degradation of

¹ The project TKP2021-NVA-18 was implemented with the support of the Ministry of Culture and Innovation through the International Research Development and Innovation Fund, funded by the TKP2021 Call for Proposals.

² ROSEN, G. E., & SMITH, K. F. (2010). Summarizing the Evidence on the International Trade in Illegal Wildlife. *EcoHealth*, 7(1), pp. 24–32. <https://doi.org/10.1007/s10393-010-0317-y>

which could lead to the total destruction of the human environment. This activity is global and poses serious threats. For decades, international communities and international organisations (UNODC, Interpol, Europol, EU) have been drawing attention to the fact that wildlife crime, in addition to endangering biodiversity, contributes to climate change, threatens human health and can affect the economies and national security of certain countries.³

In addition, the criminals involved stand to make huge profits. Recognising the potential for great financial gain in this global form of crime, transnational organised crime is becoming increasingly involved⁴, further increasing its dangerousness. In addition to the above, it causes enormous damage to the world economy, as it can be linked to serious crimes such as bribery⁵, money laundering⁶, which can significantly undermine the stability of certain states.

Several reports by international organisations link wildlife trade to money laundering⁷⁸, but it is also typical that the legal wildlife trade provides the basis for laundering money from other serious crimes (such as international drug trafficking).⁹

One of the first major criminal cases in which the international legal pet trade was used as a cover to launder drug trafficking money was the case of a Miami-based drug syndicate uncovered during the international law enforcement operation Corba 9. The legal pet trade was found to have provided a perfect cover and conspiracy for the drug trade. For example, members of the organisation used flowery language such as "three cockatoos, please", which meant that three kilograms of cocaine were ordered, or "three little cockatoos", which meant three ounces. The case illustrates how the syndicate used the legal wildlife business for conspiracy purposes, and the offshore company was also an excellent vehicle for money laundering.

³ PÁDÁR, Z., NOGEL, M., KOVÁCS, G., GÁRDONYI, G., & ZENKE, P. (2022). A vadvilági bűnözés sajátos kriminalisztikai kihívásai Magyarországon. *Belügyi Szemle*, 70(9), pp. 1727–1748. <https://doi.org/10.38146/BSZ.2022.9.1>

⁴ INTERPOL. (2015). Environmental crime and its convergence with other serious crimes. Interpol Lyon.

⁵ VAN UHM, D. P., & MORETO, W. D. (2017). Corruption within the Illegal Wildlife Trade: A Symbiotic and Antithetical Enterprise. *The British Journal of Criminology*. <https://doi.org/10.1093/bjc/azx032>

⁶ VIOLLAZ, J., GRAHAM, J., & LANTSMAN, L. (2018). Using script analysis to understand the financial crimes involved in wildlife trafficking. *Crime, Law and Social Change*, 69(5), pp. 595–614. <https://doi.org/10.1007/s10611-017-9725-z>

⁷ EUROPOL. (2013). *SOCTA 2013: EU serious and organised crime threat assessment*. EUROPOL, Retrieved from <https://www.europol.europa.eu/publications-events/main-reports/eu-serious-and-organised-crime-threat-assessment-socta-2013>

⁸ UNODC (Edit.). (2010). *The globalization of crime: A transnational organized crime threat assessment*. UNODC. Retrieved from <https://www.unodc.org/unodc/en/data-and-analysis/tocta-2010.html>

⁹ INTERPOL, & UNEP. (2016). STRATEGIC REPORT ENVIRONMENT, PEACE AND SECURITY A CONVERGENCE OF THREATS. Retrieved from <https://globalpact.informea.org/sites/default/files/documents/MON-091234.pdf>

In another case, a criminal organisation leader agreed with the owner of a timber company to launder the proceeds of drug trafficking. The proceeds from the sale of drugs were received by the owner of the timber company, who then wrote cheques to the drug traffickers, which were deposited in legal bank accounts from the timber trade. The illegal money was thus mixed with the money obtained legally, and the timber company manager received 13% of the laundered money. Also an example of money laundering in the timber industry, some drug lords in Colombia and Panama launder the profits from cocaine cultivation through legitimate timber companies. The owner of a Panamanian timber company received one percent of the profits from cocaine smuggling for laundering his proceeds through his company in Yaviza, Panama.

2. About money laundering in general

Money laundering is the process by which illegal funds, derived from previous criminal activities such as drug trafficking, embezzlement and terrorist financing, or in our case illegal wildlife trafficking, are converted into legal funds through legitimate businesses. Criminals use a variety of methods to achieve this, such as setting up front companies, mixing illegal funds with legitimate funds and using offshore accounts. They want to make it appear that the dirty money is coming from legitimate sources in an attempt to avoid the attention of law enforcement and to make the true origin of the criminal money unrecognisable.

According to information on the EUROPOL website, 2-5% of the world's GDP is laundered every year, which amounts to around €715 billion.¹⁰ It is worth noting that money laundering, as it aims to conceal the origin of wealth derived from "easy money", often results in losses of 30-40%.¹¹ The money laundering process can be divided into three stages: placement, layering and integration.

The most difficult and risky part is placement. It is the most likely to reveal the criminal origin of the assets, the illegal source or the criminal who deposited the assets. Often, broman is used at this stage. It is also often the stage where money is laundered, e.g. through front companies. In the layering stage, the assets are already completely separated from the criminal through various transactions.¹² A process that often takes place across countries and continents, making the work of law

¹⁰ EUROPOL. Retrieved from <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/money-laundering>

¹¹ SZENDREI, F. (2018). A szervezett bűnözés gazdasági háttere és a pénzmosás. *Magyar Rendészet*, 18(5), pp. 77–91.

¹² ZÉMAN, Z., & HEGEDŰS, M. (2023). Pénzmosás mint negatív gazdasági tényező az Európai Unióban. *Belügyi Szemle*, 71(5), pp. 885-904.

enforcement authorities much more difficult.¹³ The final stage is integration when separating illegal assets from legal income is no longer possible.¹⁴

2.1. Money laundering as a means of laundering the proceeds of illegal wildlife trade

The illegal trade in wildlife as a transnational organised criminal activity generates billions of dollars in revenue every year. In order to hide and launder illegal proceeds, they seek to exploit weaknesses in the financial and non-financial sector and launder the proceeds.¹⁵

The authorities are often unable to trace these illicit financial flows, so even if some of the organised criminal groups involved in international trafficking are detected, the assets from the activity are not seized and the money launderers are not prosecuted. The UN General Assembly has repeatedly addressed the problem of international illegal trade in protected species of fauna and flora and money laundering, and has adopted several resolutions. One recent call, issued in September 2019, called on UN member states to "amend national legislation as necessary to effectively combat the illegal wildlife trade, which has become a core crime of money laundering."¹⁶

Effective action against money laundering is necessary for several reasons: on the one hand, the seizure of criminal assets and proceeds, on the other hand, the tracing of illegally obtained money can enable the detection and prosecution of the various leaders and financiers of organised criminal groups, and successful detections can act as a deterrent by reducing the risk of being caught lightly and the myth of profitability.

In this article, I examine the characteristics and techniques of international illegal trade in protected species of fauna and flora and the laundering of the proceeds thereof, based on publicly published reports of successfully detected crimes, and the Financial Actions Taxforce (FATF) report on the subject, published in June 2020.

¹³ GÁL, István László (2007). *A pénzmosás hatályos büntetőjogi szabályozása Magyarországon* (Doctoral dissertation, PhD értekezés PTE-ÁJK Büntetőjogi Tanszék).

¹⁴ ZÉMAN Zoltán – HEGEDŰS Mihály: *ibid.* p. 890.

¹⁵ FATF. (2020). *Money Laundering and the Illegal Wildlife Trade*. Financial Action Task Force. Retrieved from <https://www.fatf-gafi.org/en/publications/Environmentalcrime/Money-laundering-wildlife-trade.html>

¹⁶ UN General Assembly resolution 73/343

2.2. Characteristics of financial operations related to illegal trade in wild fauna and flora

The first problem we face when trying to establish effective action against money laundering linked to the illegal trade in wildlife is the difficulty of estimating the exact profit from this activity and thus determining how much money is being laundered by criminals. While seizure data may provide some basis, this data represents only a segment of the actual revenue.¹⁷ One method by which countries attempt to estimate the amount of illegal revenue is to take the legal, reported licence limits and estimate the amount accordingly. Globally, it is estimated that between \$7 billion and \$23 billion is generated annually from the illegal wildlife trade. Another approach is that the revenue from this is roughly a quarter of that from the legal wildlife trade.¹⁸

It is difficult to give a precise estimate, but international organisations agree that billions of dollars in illegal profits can be made from this activity every year. It is also a fact that, as with other forms of illegal trade, there is a significant price difference between the source and destination countries for a given product, and thus the profits for the perpetrators in the supply chain (from poachers to traffickers) can vary significantly.

This is illustrated by the following data:

Glass eels: the black market price for European glass eels in source countries in Europe is between USD 300 and USD 500 per kilogram. In the Asian destination countries, the price ranges between USD 1500 and 6000, i.e. the profit can be up to ten times higher.

According to EUROPOL, in 2018 and 2019, law enforcement seized a total of 5,789 kg of smuggled glass eels at a price of USD 2,153 per kg, meaning that the total value of the smuggled goods could reach USD 12.5 million.

Ivory: while poachers hunting elephants can receive US\$200 or less per kg, the profit in the target countries can be as high as US\$500 and as high as US\$1,000 (i.e. 150-400%). It should be noted that the black market price of ivory has fallen significantly as several countries have introduced total bans on ivory trade (USA, China, etc.). Between March and July 2019, Vietnam, China and Singapore seized 25.3 tonnes of ivory in three containers, valued at approximately USD 12.5-24 million.

¹⁷ FATF op.cit.

¹⁸ VAN UHM, D. (2016). Illegal Wildlife Trade to the EU and Harms to the World. In *Environmental Crime in Transnational Context*.

Rhino horn: this can cost up to \$65,000 a year, but according to the US authorities it sells for around \$9,000. According to one report, between 2016 and 2017, criminals supplied roughly 4,500 rhinoceros horns, valued at between US\$79 million and US\$292 million.

Pangolin scales: while poachers receive between USD 2.5 and USD 9 per kilogram of pangolin scales, in the target country, this can reach up to USD 700, which can mean a profit of between 2,100 and 7,600%. Between 2016 and 2019, the authorities seized 206.4 tonnes of pangolin scales, representing 52 seizures, worth between USD 41 million and USD 144 million in revenue for criminal organisations operating in the target countries.

According to the FATF's 2020 report, a significant part of the proceeds of this activity, and thus the criminal wealth, is channelled to and money laundering originates from the countries where the leaders and managers of organised crime groups live and operate (usually the target countries or neighbouring countries). However, criminal proceeds and associated money laundering do not only occur in the destination country and at the end of the chain but also at other stages of the supply chain, such as poachers and smugglers during transport, but also where there are corrupt links with officials in the destination or transit countries, these corrupt officials also generate proceeds and, if they reach a significant level, may need to be laundered. In addition, the leaders of organised crime groups also continuously invest the proceeds in the source countries (reinvesting the criminal profits) in order to cover the financial costs of the criminal activity (e.g. costs of transporting cargo and vehicles used for smuggling).

Although the characteristics of each organised criminal group may vary, it is generally common that the individuals in the lead role are not themselves involved in the acquisition or control of the protected animal or plant species, but are typically intermediaries in the source country who are familiar with local conditions and who supervise, coordinate or, where appropriate, direct the work of the poachers. The organisation must therefore provide both the poachers and the intermediaries with cash to finance their costs and personal allowances, and may need to set up front companies in the source countries to launder money to cover the activity and the income already generated locally. It is often observed that professional third parties, money launderers, are not entrusted with laundering the money.

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In order to conceal the sender and recipient of the money, mule accounts are used in money laundering, or low-value transactions that do not yet reach the level of reporting requirements for financial institutions in a given country. Mule accounts involve either deception or coercion to persuade someone to transfer funds previously transferred to another bank account or to bank accounts in several smaller instalments. In such cases, the account holder typically receives a share.

The FATF¹⁹ report highlights that some criminal organizations use front companies that, for example, distribute plastic, wood or frozen products, import-export activities, and covertly carry out illegal activities, the proceeds of which may be booked to the front company. Another example of the abuse of front companies is when companies, shops, or even zoos, traditional medicine businesses, engaged in the legal wildlife trade (taxidermy, wildlife breeding), carry out international illegal trade by hiding behind and laundering money through them.

Legally operating pet shops, private zoos, farms, wildlife parks, are often used by illegal traffickers to legalise and launder protected animals captured illegally without a permit (for example in Asia and America), as these institutions are licensed to trade and transport protected live animals. There is a significant amount of financial activity involved. The authorities can only combat this type of "laundering" effectively if they closely monitor the activities of licensed pet trade businesses.

2.3. The role of front companies in laundering money from the illegal pet trade

Both at source and in the destination country, criminals involved in this activity operate front companies to hide the illegal trade in animals and the proceeds from it behind the legal trade. The following examples demonstrate how in Kenya and Indonesia, front companies and front businesses are used by illegal traffickers in pangolin and ivory to legalise their income.

In 2018, Indonesian authorities uncovered a large-scale criminal organisation with an annual income of roughly USD 9 million from the illegal trade in pangolin

¹⁹ FATF op.cit.

scales between 2012 and 2017. The leaders of the criminal organisation used the operation of a legitimate fishing company (which was a phantom) to launder the proceeds of the crime, using various fictitious accounts to justify the profits from the illegal trade.²⁰

In Thailand and Singapore, between May and April 2015, the authorities seized a total of 6.8 tonnes of ivory in 2 cases, from the port of Mombasa. Further detection and financial investigations identified that the criminal organisation had set up a legal tea trading company based in Kenya, with no real commercial activity behind the company, which was simply a vehicle to legalise the illegal proceeds. In addition, the tea company also rented containers to transport the smuggled goods out of the source country.²¹

2.4. Buying property and luxury goods

During the integration phase of money laundering, it is common for members and leaders of criminal organisations to purchase high-value goods such as luxury real estate and luxury vehicles. This highlights the role of non-financial services (real estate agents, lawyers) in detecting the proceeds of illegal animal trafficking.²²

Some members of a 12-member South African criminal organisation have been involved in poaching. They have been proven to have taken seven rhinos and sold 14 rhino horns. They have also committed various robberies and burglaries of homes, and maintained corrupt links. The leader of the organisation is a former police officer who bribed the head of the national park. The members' incoming illicit income was in the form of US\$1 million in cash, which they used to buy luxury cars and luxury properties.

2.5. Money or value transfer services outside the banking system

Criminals are increasingly exploiting these systems to make money movements invisible. Examples include "hawala" and other similar services that allow the transfer of payment instruments outside the banking system. They are often linked to a specific geographical region, such as "hundi" (Pakistan) or "fei chen" (China).

Money moves virtually without physically crossing borders. For example, an ongoing investigation in the United States of America has revealed how money

²⁰ FATF op.cit .

²¹ FATF op.cit.

²² FATF op.cit.

moved between the leaders of a criminal organisation illegally trafficking ivory and rhinoceros horn between Uganda and China via the fei chen system in 2015-2016.²³

2.6. Exploiting new technologies

New technological advances are prominent in the international illegal wildlife trade in terms of communication between sellers and buyers and unidentifiable references. Various encrypted communication platforms, illegal social networking sites, and the "dark web" play a major role. In addition to online sales, the rapid transfer of funds is also a problem. In Africa, mobile payment systems are used in mobile applications.²⁴

South African investigating authorities have arrested two people on suspicion of illegal trade in protected species of animals and plants. The two individuals were searched and found to be in possession of US\$6400 in cash and US\$1 million worth of iTunes cards (95 packs of cards, 75 cards per pack). One of the suspects admitted to selling an average of 30 kg of rhino horns per year.²⁵

The money from the illegal trade was used to buy iTunes gift cards, which were either used to make purchases online or redeemed for cash. The big advantage of iTunes cards is that anyone can buy any amount for cash without being asked for their identity or where the money came from and then make anonymous purchases online or redeem them for cash.

Mobile apps are also very popular and are being used to facilitate international illegal trade in protected species and money laundering.

During an operation in a Southeast Asian country in 2018, a "businessman" was caught red-handed illegally trading in various protected animal products (e.g. ivory), selling them in China and Vietnam on online platforms and receiving payments from customers via mobile payment apps.²⁶

3. Summary

In my article, I have explained what illegal trade in wildlife species means and what are the main threats it can pose to society and the security of certain countries and regions. In this context, I have explained that one of the main threats is that, given the high illegal revenues, money laundering is inevitably linked to this activity, which entails additional risks, mainly economic. Furthermore, using relevant international

²³ FATF op.cit.

²⁴ FATF op.cit.

²⁵ FATF op.cit.

²⁶ FATF op.cit

literature, I have described the various money laundering techniques linked to the illegal trade in wild fauna and flora, which are largely carried out by circumventing the banking system.

The main difficulty from a detection point of view is that the money laundering techniques presented often ensure the laundering of illicit proceeds across national borders, thus concealing the illicit origin of the assets from national criminal authorities. However, it can also be noted that the money laundering techniques linked to the illegal trade in wild fauna and flora present the same problems for the authorities as those linked to other criminal activities: front companies, stooges, the so-called "hawala" network or even the latest techniques (iTune cards).

This shows that rapid and efficient international exchange of information and constant monitoring of the latest techniques are essential elements for the effective work of criminal authorities.

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ILEGALNA TRGOVINA DIVLJIM ŽIVOTINJAMA I PRANJE NOVCA

Apstrakt:

U svom radu objašnjavam šta znači ilegalna trgovina vrstama divljih životinja i koje su glavne pretnje koje ona može predstavljati društvu i bezbednosti pojedinih zemalja i regiona. U tom kontekstu, objasniću da je jedna od glavnih opasnosti to što je, s obzirom na visoke nezakonite prihode, pranje novca neminovno povezano sa ovom delatnošću, što nosi dodatne rizike, uglavnom ekonomske. Takođe ću se osloniti na relevantnu međunarodnu literaturu da bih opisao različite tehnike pranja novca povezane sa ilegalnom trgovinom divljom faunom i florom, koja u velikoj meri zaobilazi bankarski sistem. U članku ističem poteškoće u sprečavanju i otkrivanju ove vrste aktivnosti pranja novca od strane istražnih organa i ističem osnovne uslove za efikasniju i uspešnju krivičnu istragu.

***Ključne reči:** zločin protiv divljih životinja, pranje novca, međunarodna krivična istraga*

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