

REPORT

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The Proliferation of Wildlife Trafficking

Background

Wildlife trafficking or illegal wildlife trade (IWT) is defined as the illicit trade of protected animals, animal parts, and derivatives thereof, including procurement, transport, and distribution, in violation of international or domestic law, and money laundering related to this activity. Traffickers have also taken to corrupting various actors ranging from import/export officers to high-ranking government officials. Those who can be bribed to become complicit or receive preferential treatment in the future to continue moving wildlife through the trafficking supply chain. In December 2021, the United States Financial Crimes Enforcement Network (FinCEN) released a financial threat analysis report on wildlife trafficking trends that identified by Bank Secrecy Act (BSA) data. FinCEN reviewed 212 suspicious activity reports (SARs) which were queried for keywords related to wildlife trafficking between January 2018 and October 2021 (review period) to analyze the trends and patterns present in wildlife trafficking. Overall, the SAR data points to the frequency of wildlife trafficking trending up at least 154% within the review period. During the time of the report, the average SAR filing trends for 2021 pertaining to wildlife trafficking were expected to meet or exceed the amount filed in 2020.

IWT falls under the broader category of environmental crimes, which are increasing at a rate of at least 5% per year, according to Interpol. Estimates place wildlife trafficking between \$7 billion and \$23 billion annually and is now ranked the third largest illicit activity following drug trafficking and counterfeit goods. The United Nations (UN) estimates that at least 7,000 species are currently illegally trafficked. The most common animals trafficked include reptiles, big cats, turtles, and rhinoceroses among other animal products such as ivory and reptile skin. Not only has wildlife trafficking contributed to enriching transnational crime organizations and fueling corruption, but it is also responsible for the increased spread in zoonotic diseases, loss of biodiversity, the damage of ecosystems, and overall conservation efforts. Given the upward trend in wildlife trafficking and its profitability for transactional crime organizations ("TCOs") and its role in financial crimes, there has been a global push for awareness and legislation to combat it.

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Transnational crime organizations, wildlife trafficking and financial crimes

Wildlife is usually trafficked because of the demand for exotic pets, commercial products, and traditional medicine with the largest desire for these products coming from the United States, China, and Europe. Due to its low-risk and high-reward model, wildlife trafficking has attracted more structured and refined cartels in contrast to the previous criminal profiles of the individuals and small groups that once dominated this illicit sector. With the incorporation of these more organized groups, the ability to move multi-ton commercial shipments of wildlife has become more common in recent years. Despite the demand arising from Western nations, the poaching and capturing of these animals occurs predominantly in Africa and Asia. Although TCOs appear at countless levels in the supply chain, they are rarely involved in the actual poaching of the animals and will usually make their profits as the animal gets closer to the buyer or black market. To smuggle wildlife, drug trafficking organizations--a subgroup of TCOs--will often follow the same routes they use for drug and human trafficking. Given these organizations have established relationships with the logistical industry, they are able to maximize their profits through these routes.

Convergence of jurisdiction-level routes reported in wildlife and non-wildlife trafficking instances between 2015 and 2019 (Source: C4ADS Air Seizure and WCO CEN Databases⁴⁷).

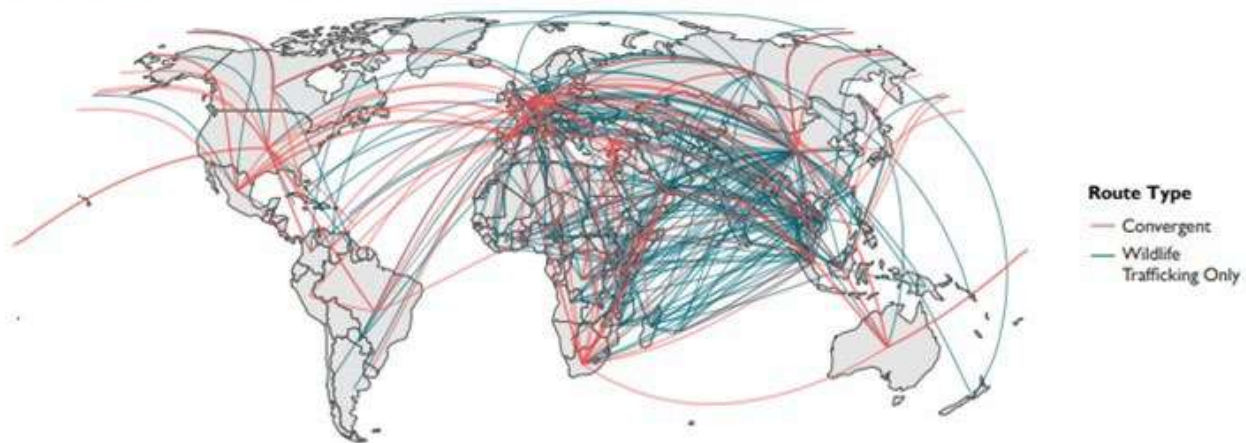
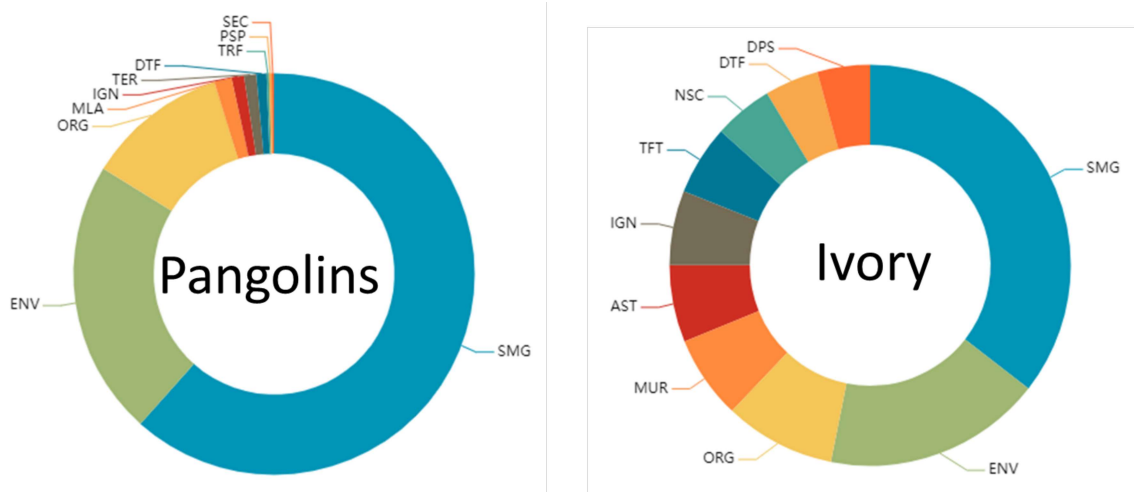


Figure 1 Drug cartel leaders often purchase exotic pets as status symbols of power and strength such as the personal zoo of Pablo Escobar which included hippos, giraffes, kangaroos, and other exotic animals. Moreover, elephant ivory is used for items such as jewelry and statues whereas pangolin scales are used as a traditional medicine to promote lactation and reduce breast swelling in women. Wildlife trafficking is rarely a solo act; it usually occurs in conjunction with other crimes such as theft, forgery, fraud, human trafficking, drug trafficking, bribery, and tax evasion. The charts below highlight how crimes associated with the two most trafficked wildlife animals and products can overlap with other such illicit activities, as captured in GRID.

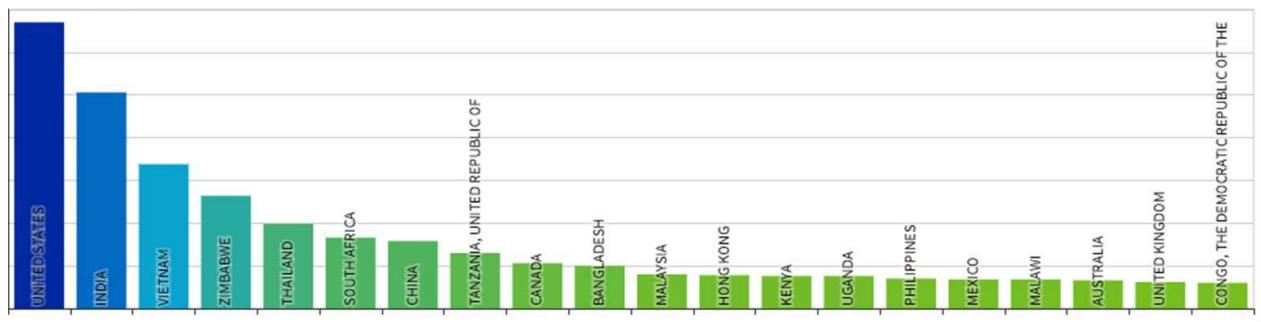
GRID Profiles of Select IWT Species Globally, All-Time, by Risk Event Code



According to the December 2021 FinCEN Financial Threat Analysis report, 80% of the “wildlife trafficking” key phrase queried SARs reported money laundering. To conceal the funds, criminals have used import-export shell companies, conducted cash sales, falsified receipts, deposited funds through local currency via transfer systems, bought luxury vehicles, properties, artwork, and outright traded other illicit items for trafficked wildlife. The wildlife trafficking supply chain also involves the participation of circuses, safari parks, travel agencies, zoos, and farmers who may knowingly or unknowingly be part of these illicit activities and/or used as a layer to launder funds.

The report noted that the U.S. is one of the world's largest markets for trafficked wildlife and wildlife products acting as a source, destination, and transit location. The size and scope of its financial system also makes it ideal for bad actors to pass their illicit funds through. This is reflected in Grid data, where a keyword search for “wildlife trafficking,” and the world's most trafficked animals shows the U.S. appearing most often:

Grid profiles of commonly trafficked animals and animal products, by country, all-time



Corruption

Corruption is listed as one of FinCEN's priorities in countering the financing of terrorism and money laundering in a report published in June 2021. It is also a major factor in the persistence of the wildlife trafficking market. Corruption can come in the form of bribery, financial extortion, or by government officials aiding criminals through activities such as “artificially” legalizing illegal operations, or rendering documents like transportation permits, harvesting licenses, and hunting licenses. The U.S. Department of State identified six countries—Cambodia, Cameroon, Democratic Republic of Congo, Laos, Nigeria, and Madagascar—as countries of concern where either high level or systematic government involvement in wildlife trafficking was identified.

Corruption impacts all levels of authority from low-level park rangers to high-ranking government officials. For example, in 2022, individuals were charged with corruption, money laundering, and fraud linked to wildlife trafficking in South Africa after the relatives of two former park rangers were found to be participating in a rhino poaching syndicate in exchange for money. The relatives were released on 5,000 ZAR (South African Rand) each. This bribery case is one of many that intersect with other crimes within wildlife trafficking.

While laws pertaining to wildlife trafficking exist in most countries, they vary greatly in severity ranging from small fines that are less than the value of the wildlife trafficked to long sentences of imprisonment. As a result, many of these punishments are not enforced, undermining efforts to combat wildlife trafficking and contributing to its proliferation as an unlawful income source for criminals.

The impact of wildlife trafficking

Environmental

The consequences of wildlife trafficking in environmental damage cannot be understated. According to a 2019 article published by the National Research Defense Council (NDRC), wildlife trafficking is the second largest threat to biodiversity following habitat loss. Loss in biodiversity directly causes the endangerment or extinction of animals and poses a detrimental impact on human health including decreases in food selection and production, loss of potential treatment for numerous diseases and health issues, and the emergence/re-emergence of infectious diseases, as well as population loss.

Although less documented, IWT has been credited with the introduction of invasive species. Trafficked exotic animals may carry seeds, parasites, and viruses which in turn have the capacity to wreak havoc on native species and humans present. The COVID-19 pandemic shifted wildlife trafficking into the public spotlight. According to the Organization for Economic Cooperation and Development's (OECD) report of a March 2020 *Nature* article, the smuggling of pangolins into Southeast Asia could have been one of the triggers for the pandemic. Pangolins, which are the world's most trafficked animal, are said to carry viruses closely related to the coronavirus. The COVID-19 virus originally saw a swift outbreak in the wet-markets of Wuhan, China which are characterized by open air markets known for selling illegally trafficked animals in often poor hygienic conditions. More than three years later, the world is still grappling with the economic and medical effects of this virus.

Combating wildlife trafficking

According to the 2020 World Wildlife Crime report by the UN Office on Drugs and Crime (UNODC), every country in the world is affected by wildlife trafficking, with a wide variety of species involved from eels to pangolins to rosewood. In May 2023, the UNODC revealed a growing amount of consensus for strengthening the international legal frameworks on preventing and combatting wildlife trafficking among the UN Member States. An analysis conducted by the Global Initiative to End Wildlife Crime (EWC) found approximately 75% of Member States were either in favor of a protocol to further combat and prevent wildlife trafficking or were open to discussing it. As the international community becomes more concerned about the impact of wildlife trafficking and illegal wildlife trade, initiatives and frameworks will evolve, further incentivizing businesses to monitor their supply chains and promote awareness.

Lacey Act

The U.S. Lacey Act, originally passed in 1900, became the first federal law protecting wildlife. It regulates the import of species protected by international and domestic law while preventing the spread of invasive species. The Act states, "it is unlawful to import, export, sell, acquire, or purchase fish, wildlife or plants that are taken, possessed, transported, or sold: 1) in violation of U.S. or Indian law, or 2) in interstate or foreign commerce involving any fish, wildlife, or plants taken possessed or sold in violation of State or foreign law." The Act covers all fish, wildlife, and wildlife products that are protected by the International Trade in Endangered Species of Wild Fauna and Flora, as well as those covered by State laws. A 2008 amendment sought to expand the list of plants and products prohibited. In 2021, another amendment was introduced by US Senators Marco Rubio and Brian Schatz to enhance protections against the importation and transport between States of injurious species, and for other purposes. This amendment has been referred to the Committee on Environment and Public Works.

Eliminate, Neutralize, and Disrupt Trafficking Act of 2016

The United States passed the Eliminate, Neutralize, and Disrupt Trafficking Act of 2016 (END Act) to promote anti-poaching and anti-trafficking programs, establish the Presidential Task Force on Wildlife Trafficking, and create an annual report on countries of concern where governments have engaged or knowingly profited from trafficking of endangered species. The END Act also designated the responsibilities of collaborating with wildlife services and relevant ministries to produce recommendations and develop strategies to reduce the consumer demand and illegal trade of wildlife and wildlife products. The task force expired in 2021. The Eliminate, Neutralize and Disrupt (END) Wildlife Trafficking Reauthorization and Improvements Act of 2020 was introduced by Sen. Christopher Coons, however, it inevitably died in Congress. Eliminate, Neutralize, and Disrupt Wildlife Trafficking Reauthorization and Improvements Act of 2021 was re-introduced by Senator Christopher Coons on November 15, 2021.

European Union Action Plan

In November 2022, the European Commission announced a revised EU Action Plan to end illegal wildlife trade in their Biodiversity Strategy for 2030. The revised plan which builds upon their previous action plan, targets four main priorities which include: (1) preventing wildlife trafficking and address its root causes, (2) strengthening the legal and policy framework against wildlife trafficking, (3) enforcing regulations and policies to fight wildlife trafficking effectively, and (4) strengthening the global partnership of source, consumer, and transit countries against wildlife trafficking. Tasks under these priorities include reducing consumer demand for illegally traded wildlife, aligning EU national policies with international commitments, improving the rate of

detection of illegal activities within the EU, and enhancing capacity and improving cooperation between the Member States, EU enforcement actors, and key non-EU countries.

CITES

The Convention on International Trade in Endanger Species of Wild Fauna and Flora (CITES) is an international treaty formed in 1973 with the goal of preventing species endangerment and extinction because of international trade. Currently, 183 countries and the EU implement CITES, which protects more than 40,000 species of plants and animals in varying degrees.

Conclusion

Wildlife trafficking's rapid growth has propelled itself onto the international stage as a significant threat not only to environmental conservation, human health, and governmental stability but as a considerable source of profit for criminal actors and a breeding ground for corruption. While there is legislation in place to counter IWT, these laws differ depending on the jurisdiction and many times are not regularly enforced. However, COVID-19's debilitating impact, the rise of environmental consciousness, and the alarms raised over wildlife trafficking's role as an instrument of illicit revenue for TCOs has brought heightened awareness to the issue. As knowledge about IWT and efforts expand, risk-relevant data will begin to paint a clearer picture for future legislation and preventative efforts.

Moody's Analytics KYC screening services powered by Grid's global dataset combines adverse media on wildlife trafficking with specialized partner content for clients to mitigate risk in conjunction with crimes often associated with wildlife trafficking. Orbis, a leading entity data resource, provides data on millions of listed entities to help clients analyze and compare entities to make the most informed KYC decisions. As stated previously, theft, forgery, fraud, human trafficking, drug trafficking, bribery, and tax evasion are all often associated with wildlife trafficking—each of which pose a unique risk to businesses both reputational and financial.

Main Takeaways

- » Although trafficked wildlife predominantly originates in Africa and Asia, the largest demand comes from developed regions such as China, the United States and Europe. The demand for trafficked wildlife is derived from its use in traditional medicine, the desire for exotic pets, and their use in commercial products.
- » Wildlife Trafficking is becoming a catalyst for corruption and a profitable practice for transnational crime organizations as more structured cartels enter the space.
- » Wildlife trafficking has contributed to not only financial but environmental impacts, as well. Wildlife trafficking has been credited with population loss in animals, loss of biodiversity, and emergence of infectious diseases.
- » FinCEN's SAR data suggests wildlife trafficking is growing quickly, having increased more than 154% within the last review period and worth between \$7 billion and \$23 billion.

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