

Targeting Natural Resource Corruption

Welcome! We will begin shortly.

This is a Zoom webinar. All participant videos are off and lines are muted, but please feel free to introduce yourself in the chat.

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Lessons from research: Using trade data to expose illicit financial flows and corruption in natural resource commodities, and broader applications



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Get Engaged

Audio Settings ^



Chat

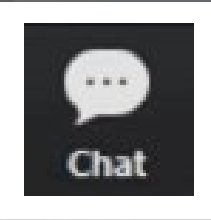


Raise Hand



Q&A

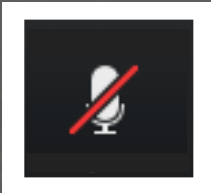
Leave Meeting



Chat

1. Exchange thoughts with other participants via chat

Introduce yourself and share your own insights and questions in the chat window



2. All participants are muted

Given high attendance in this webinar, all lines will remain muted

Lessons from research: Using trade data to expose illicit financial flows and corruption in natural resource commodities, and broader applications



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WWF-Peru / Enrique Castro-mendivil



Camilo Pardo

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The International Links of Peruvian Illegal Timber: A Trade Discrepancy Analysis

Camilo Pardo-Herrera, PhD

Terrorism, Transnational Crime and Corruption Center

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Contents

1. Peruvian forests and global sustainability
2. Trade discrepancy analysis
 - Mexico
 - USA
 - China
 - Dominican Republic
3. Takeaways

Peruvian forests and global sustainability

- 12 percent of the Amazon Basin
 - 20 percent of the global water supply,
 - 10 percent of the planet's known biodiversity
- Effective forest governance has been elusive
- High rates of deforestation
 - Lack of state capacity
 - Institutional capture
 - Global demand

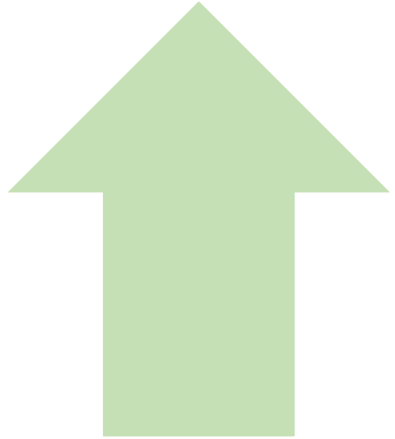
Peruvian forests and global sustainability

- 12 percent of the Amazon Basin
 - 20 percent of the global water supply,
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- Effective forest governance has been elusive
- High rates of deforestation
 - Lack of state capacity
 - Institutional capture
 - Global demand
 - **Enabling legal and financial structures**
 - **Corruption**

Trade Discrepancy Analysis

- The difference between the trade value recorded by the importing country and that recorded by the exporting country
- Various levels depend on data aggregation
 - Country-pair level
 - Transaction level
- Can evince illicit financial flows (IFF)
 - Tax evasion
 - Money laundering
- Criminal behavior **does not always** explain trade discrepancies
 - Reporting errors
 - Data aggregation

Trade Discrepancy Analysis

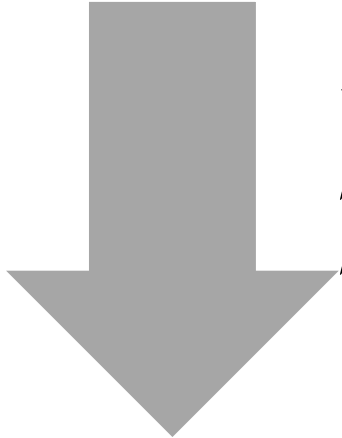


Overvalued Exports

Bring funds into the country

Subsidy abuse

Money laundering

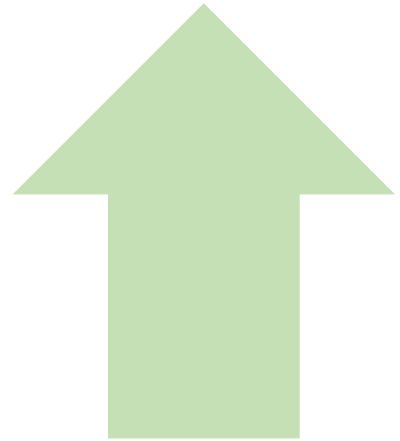


Undervalue Exports

Tax evasion

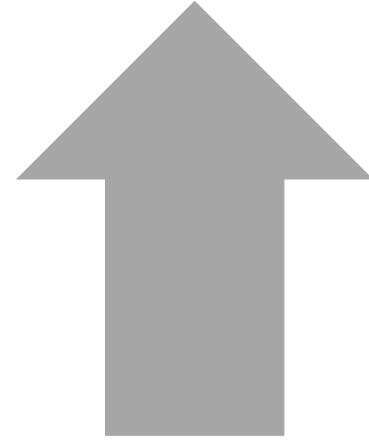
Transfer funds out of the country

Trade Discrepancy Analysis



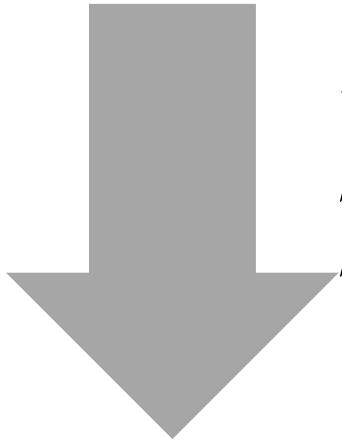
Overvalued Exports

Bring funds into the country
Subsidy abuse
Money laundering



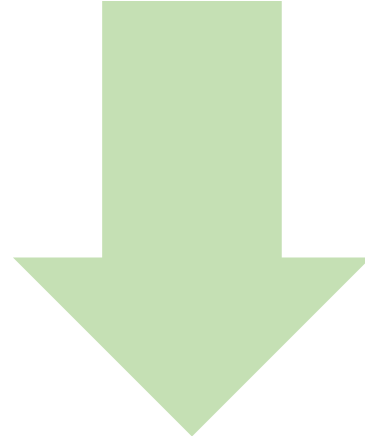
Overvalued Imports

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Undervalue Exports

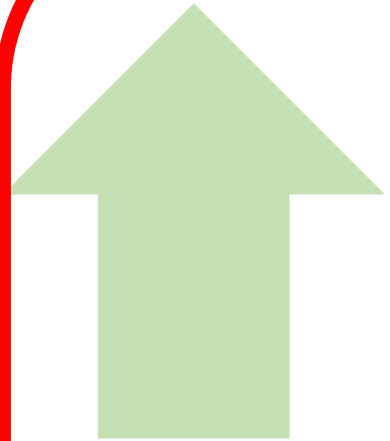
Tax evasion
Transfer funds out of the country



Undervalued Imports

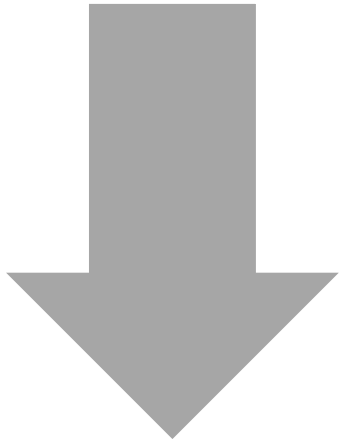
Bring funds into the country
Money laundering
Tax and custom duties evasion

Trade Discrepancy Analysis



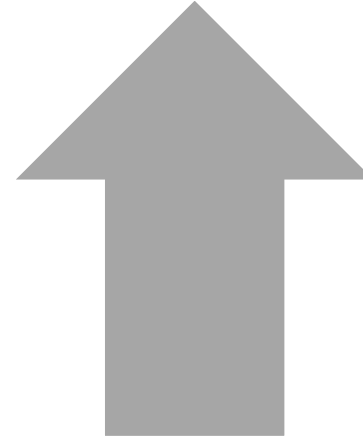
Overvalued Exports

Bring funds into the country
Subsidy abuse
Money laundering



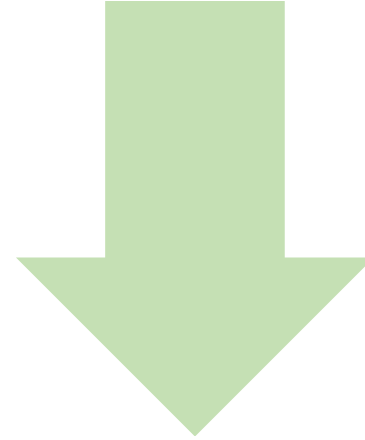
Undervalue Exports

Tax evasion
Transfer funds out of the country



Overvalued Imports

Tax evasion
Transfer funds out of the country



Undervalued Imports

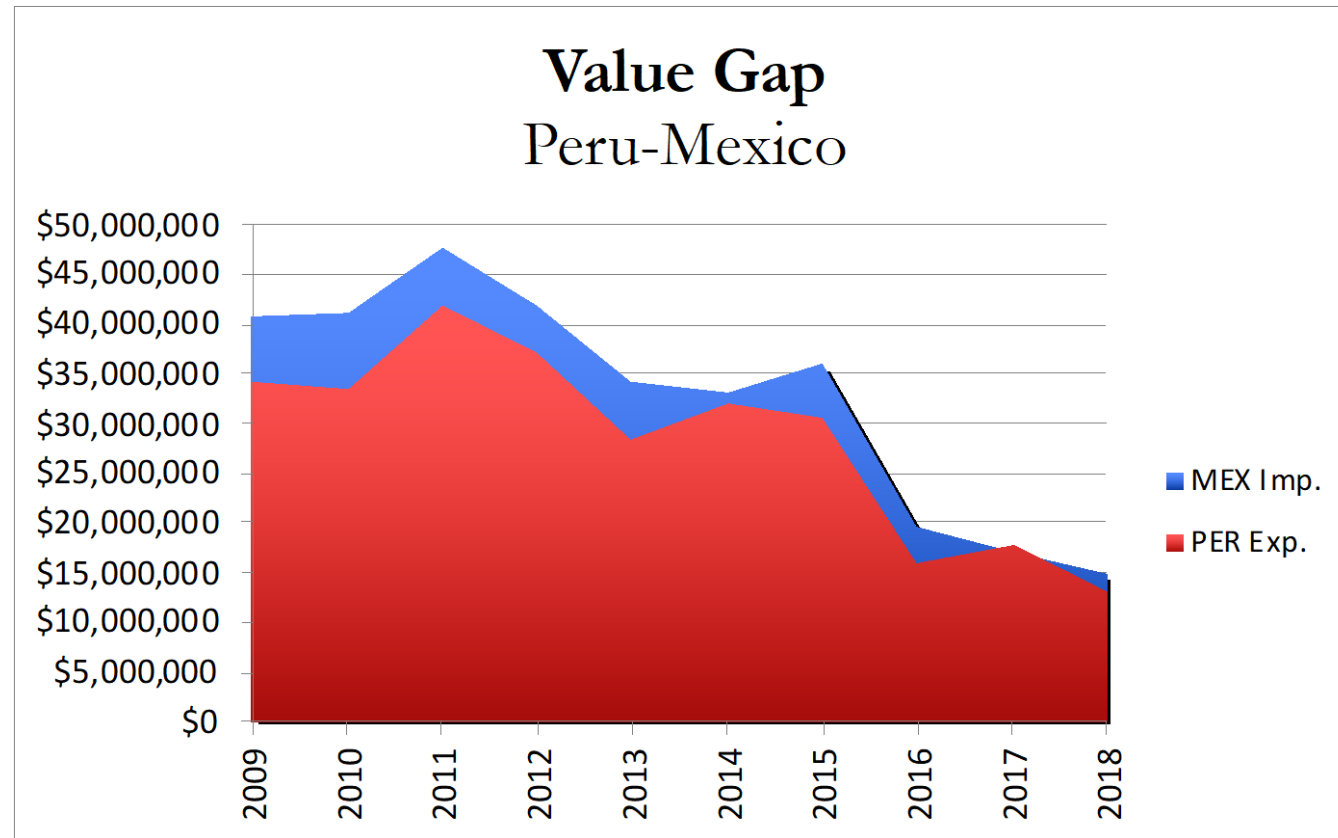
Bring funds into the country
Money laundering
Tax and custom duties evasion

Trade Discrepancy Analysis on Peruvian Timber

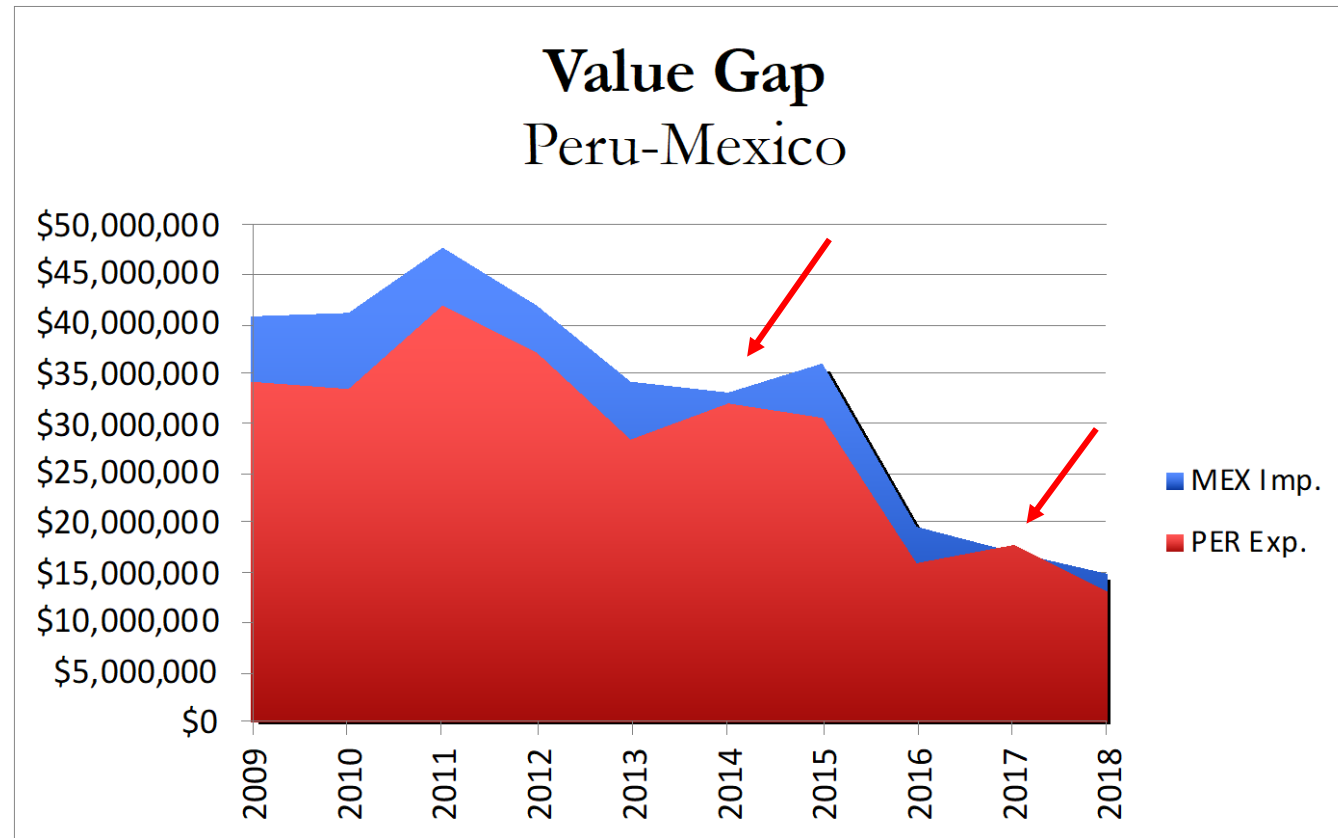
- United Nations International Trade Statistics Database
 - Trade statistics from 170 countries
 - Commodities by categories (HS Codes) and partner countries
 - Exports (FOB) & Imports (CIF)
- Wood exports from Peru from 2009 to 2018 (HS4401 to HS442199)
- Focus on main timber trade partners (80%)
 - China
 - United States
 - Mexico
 - Dominican Republic
- Focus on main trading commodities (95% of wood exports)
 - Sawn wood (HS4407)
 - Boards and planks (HS4409)
 - Laminated wood (HS4412)
 - Carpentry articles (HS4418)

Peru & Mexico

Peru & Mexico

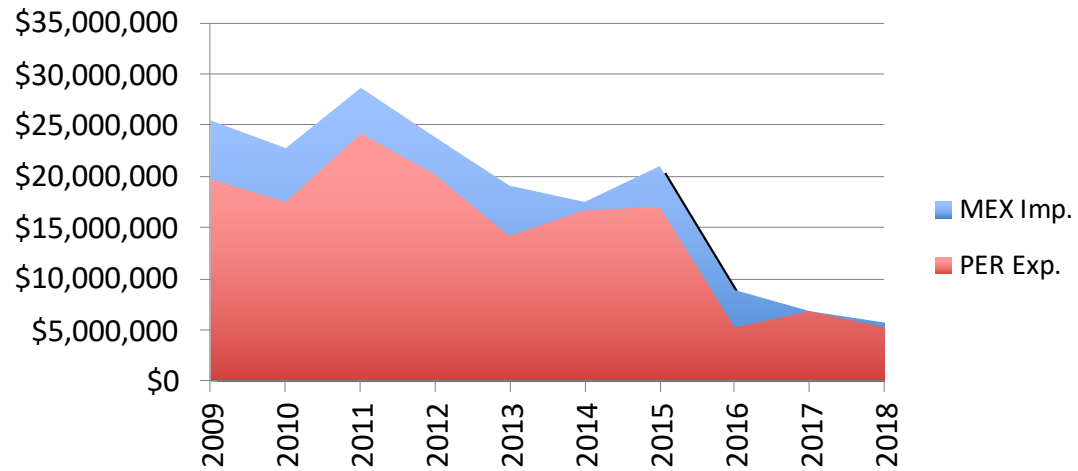


Peru & Mexico

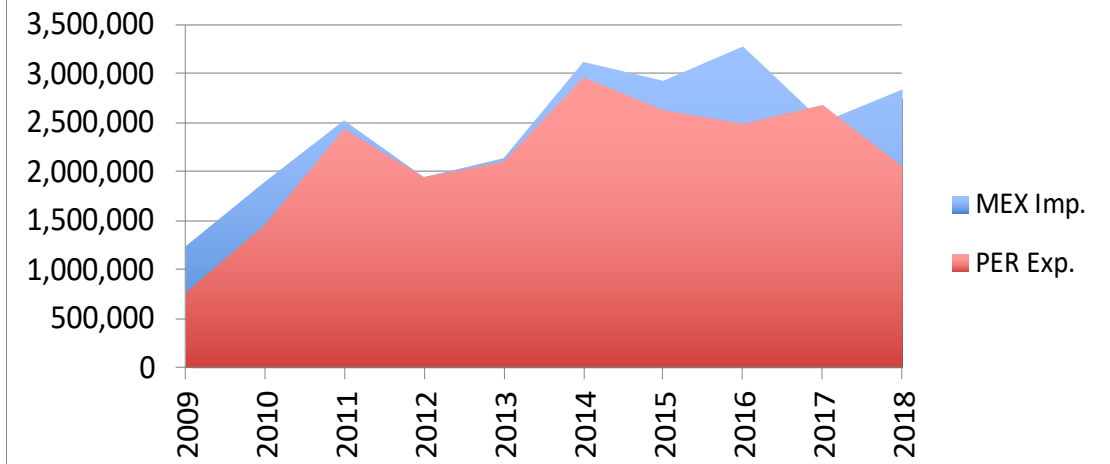


Peru & Mexico

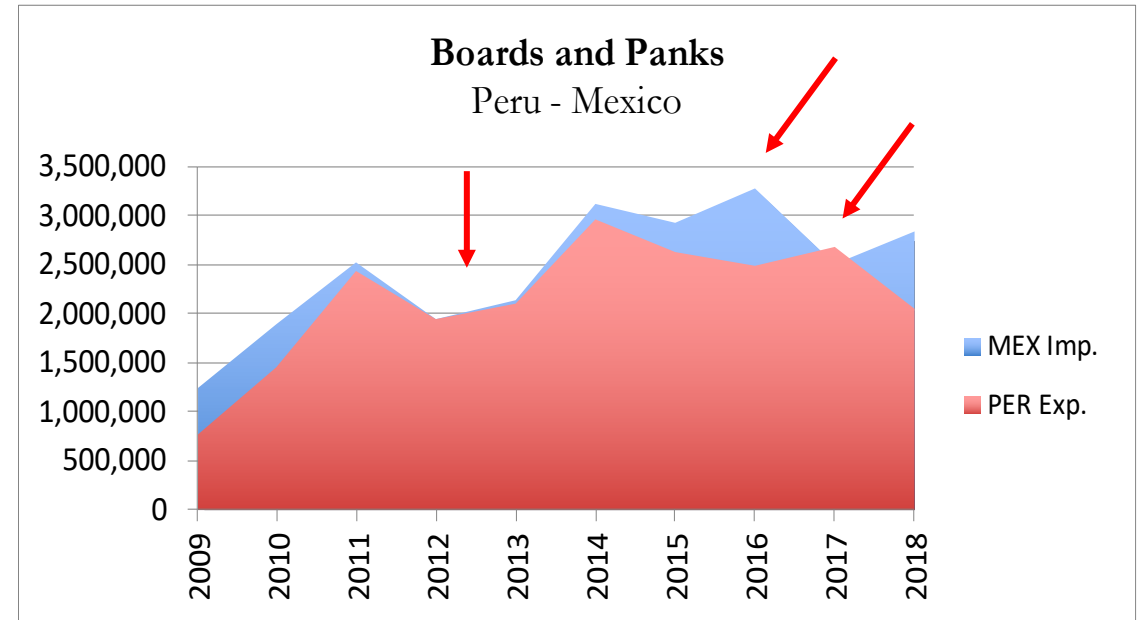
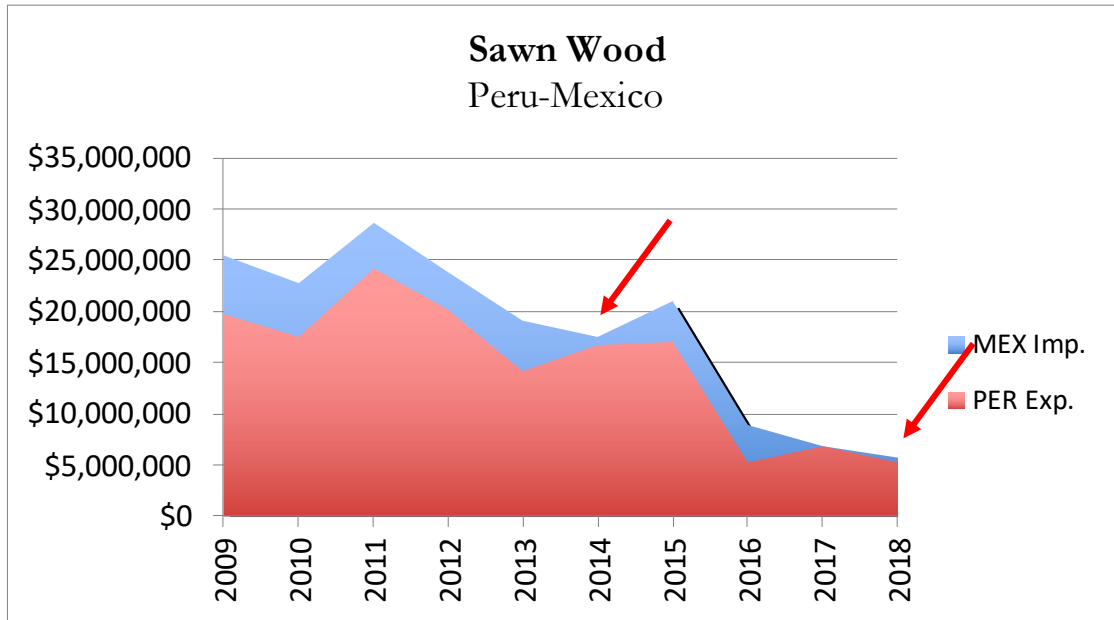
Sawn Wood
Peru-Mexico



Boards and Panks
Peru - Mexico

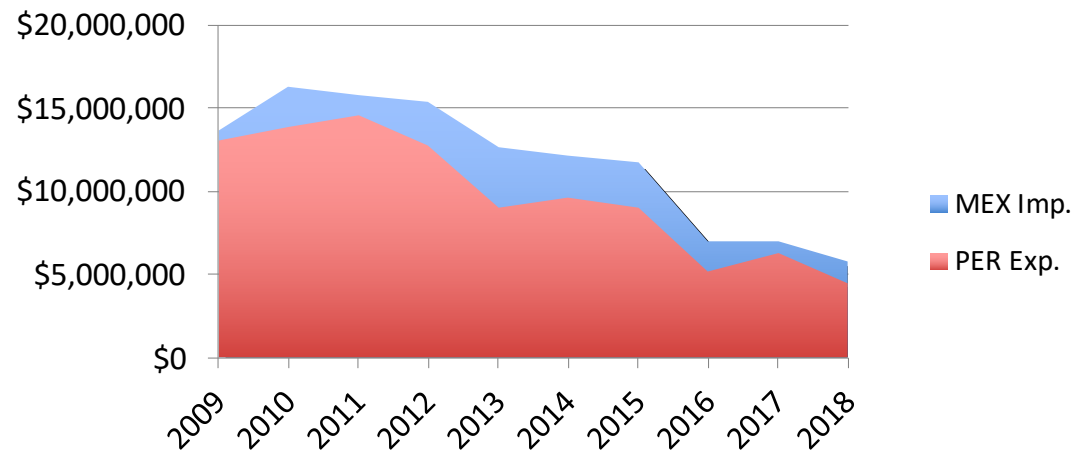


Peru & Mexico

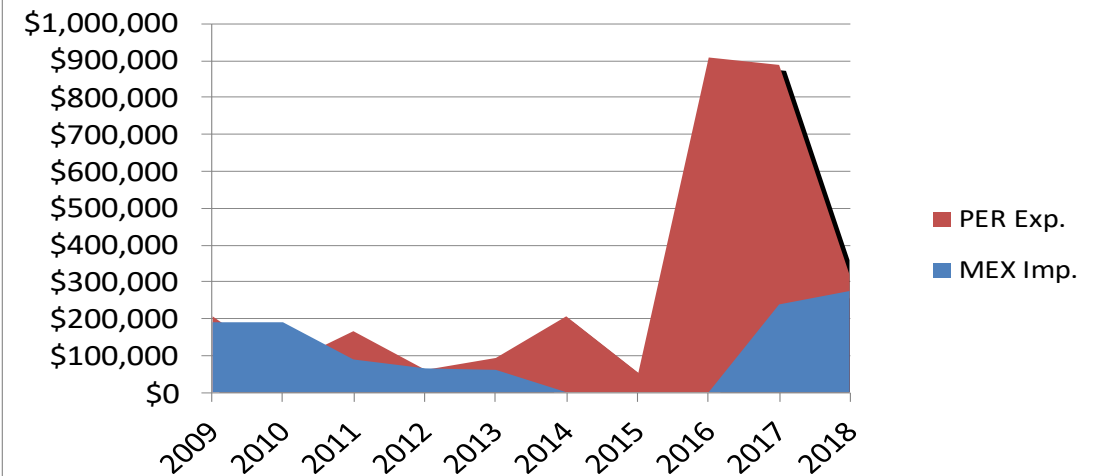


Peru & Mexico

Laminated Wood
Peru - Mexico

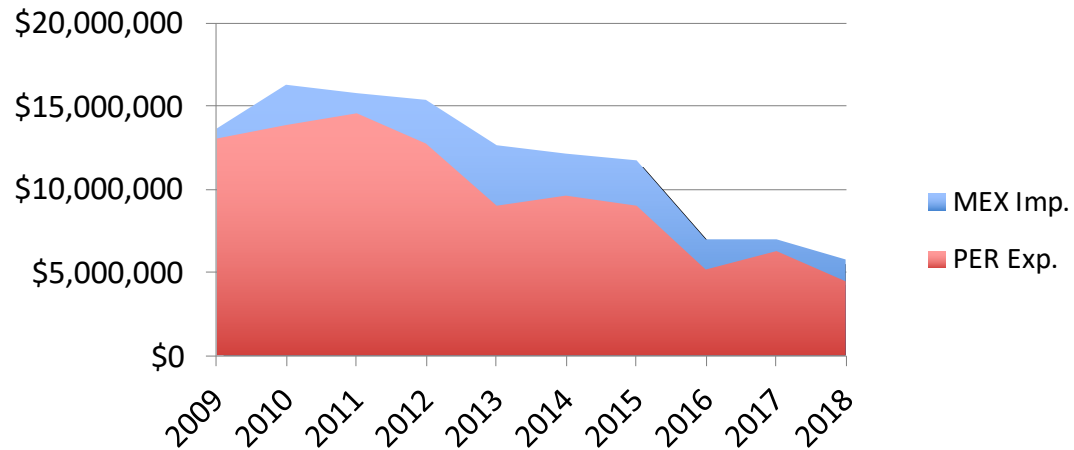


Carpentry Articles
Peru - Mexico

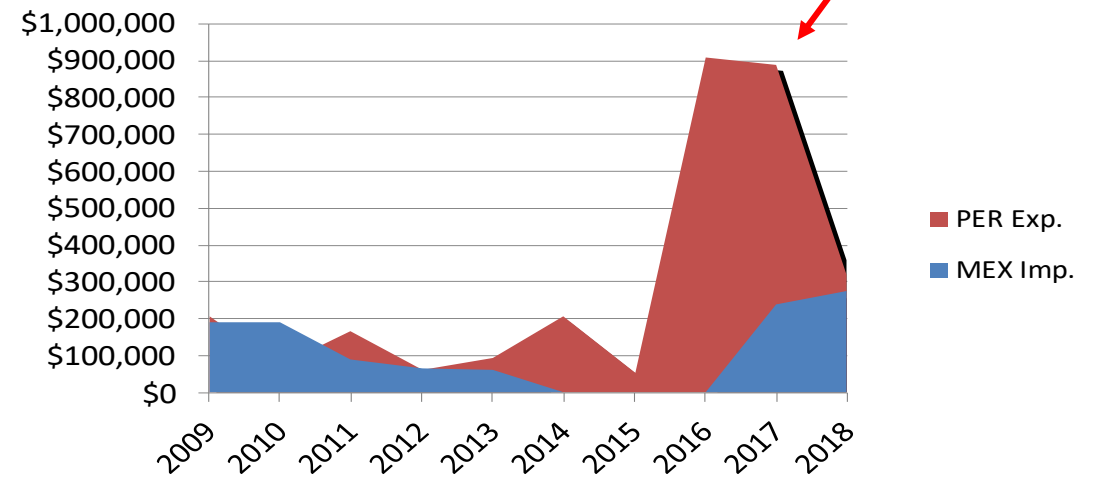


Peru & Mexico

Laminated Wood
Peru - Mexico

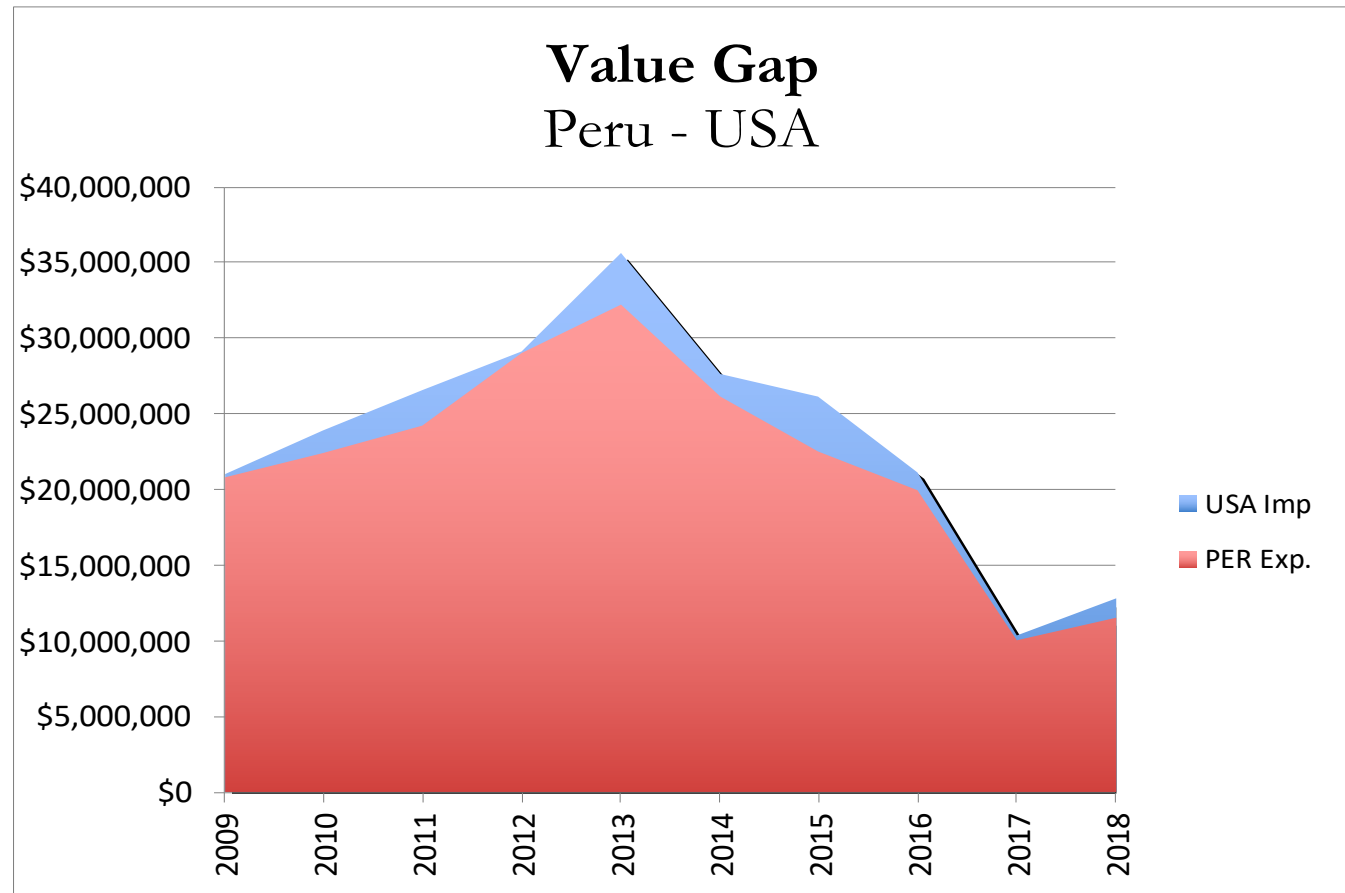


Carpentry Articles
Peru - Mexico

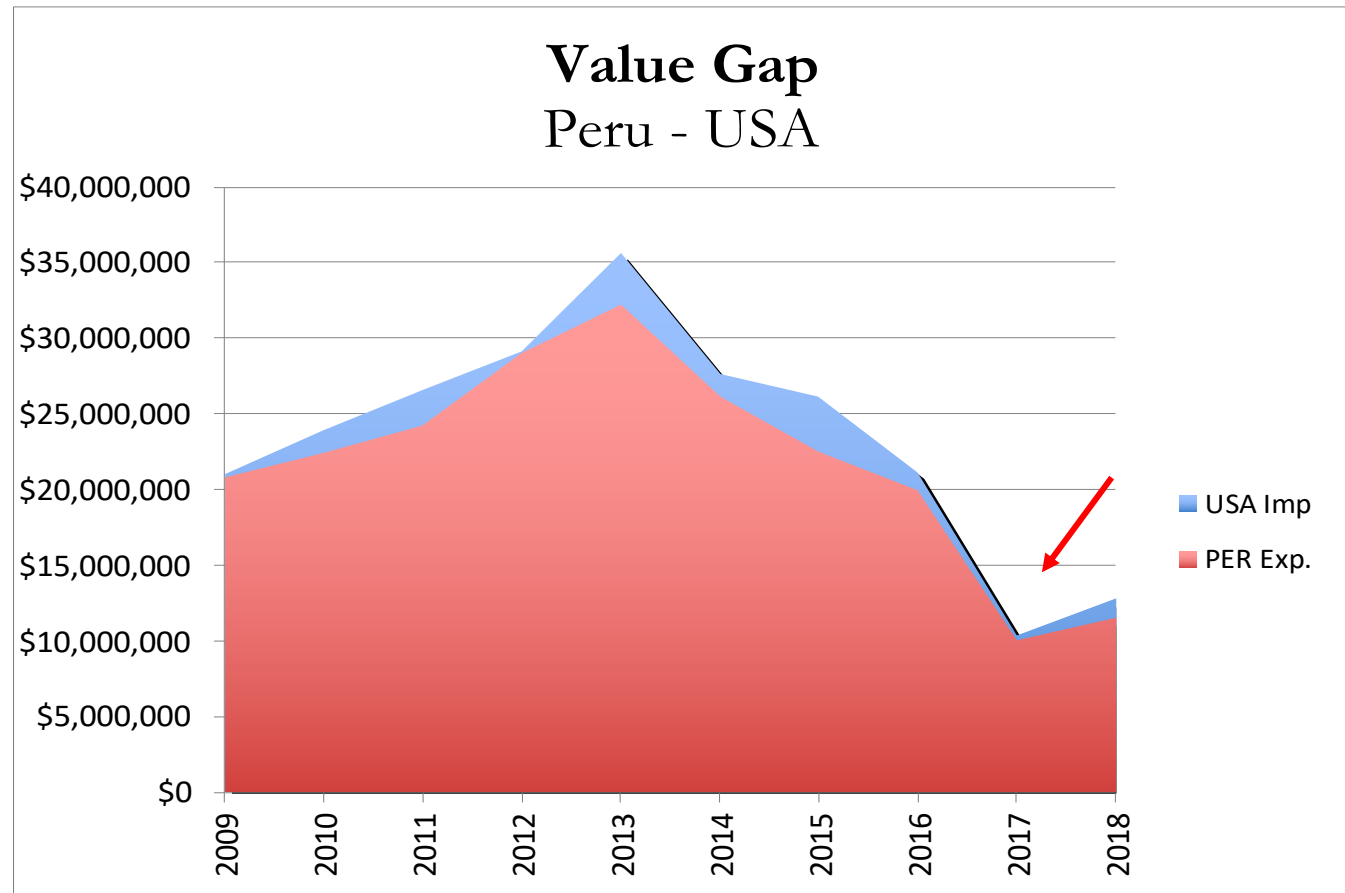


Peru & USA

Peru & USA

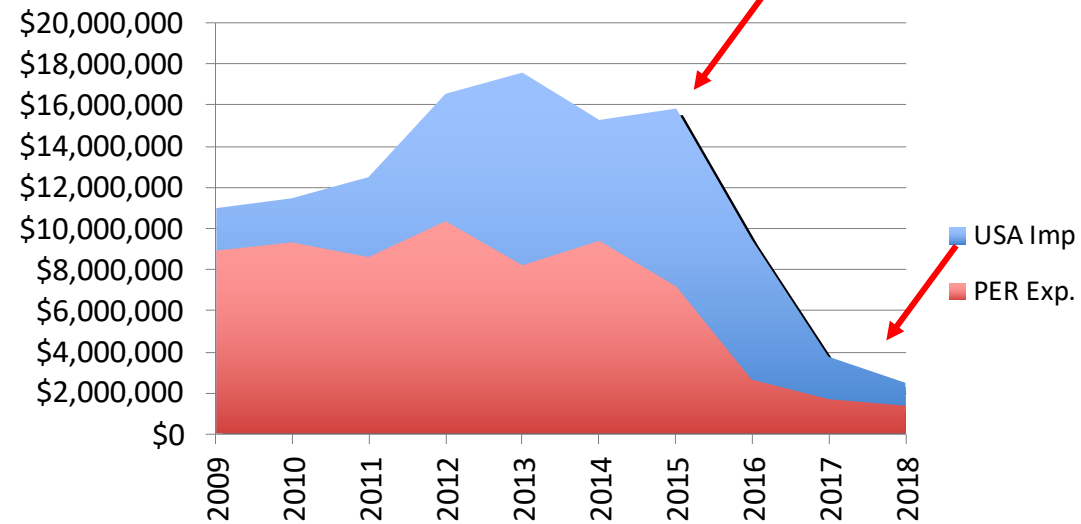


Peru & USA

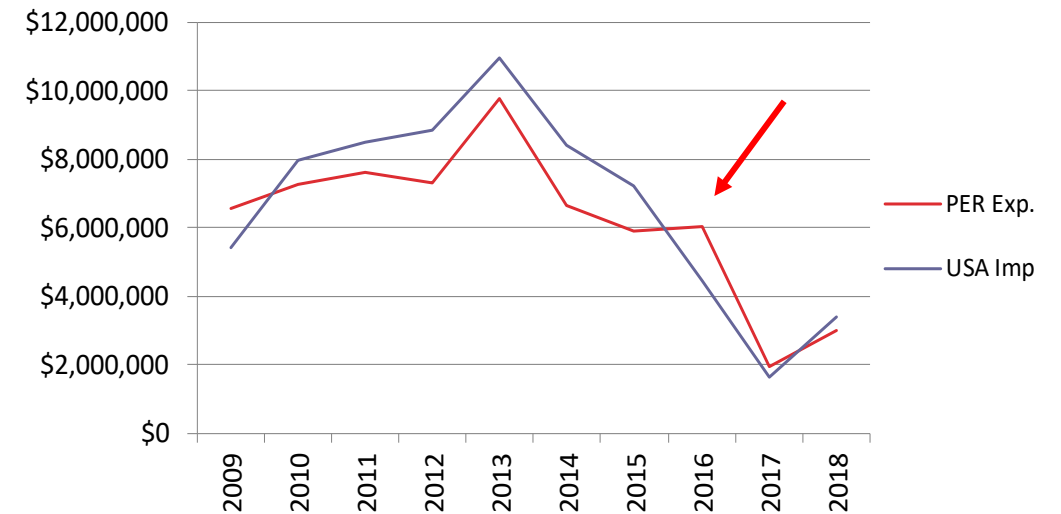


Peru & USA

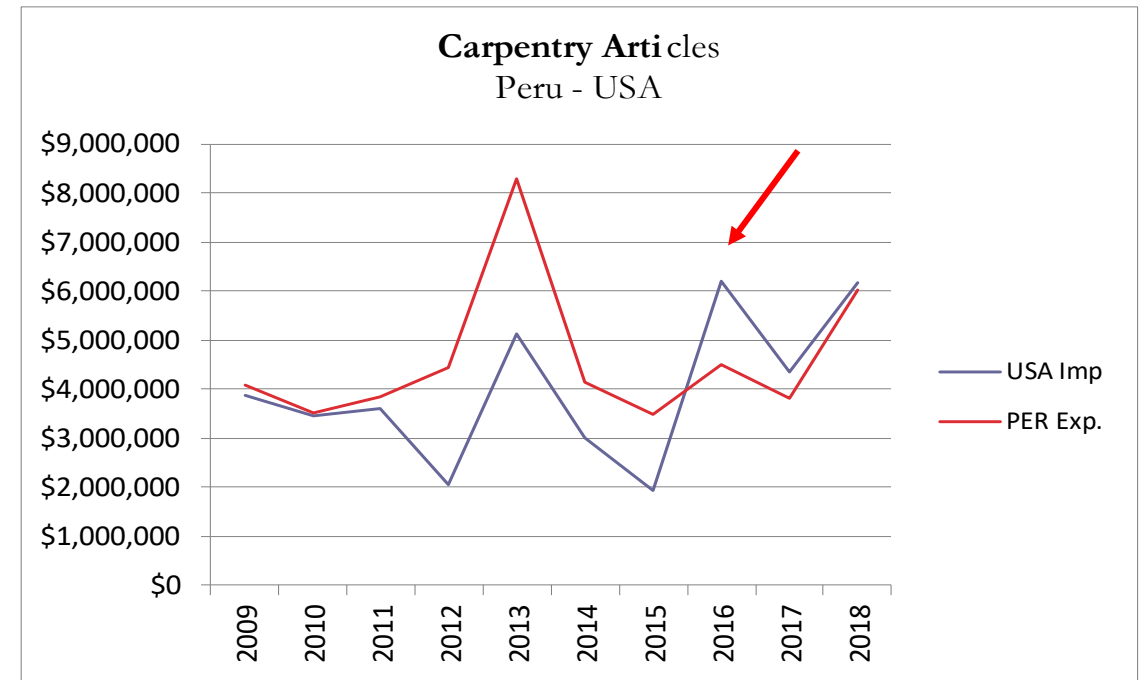
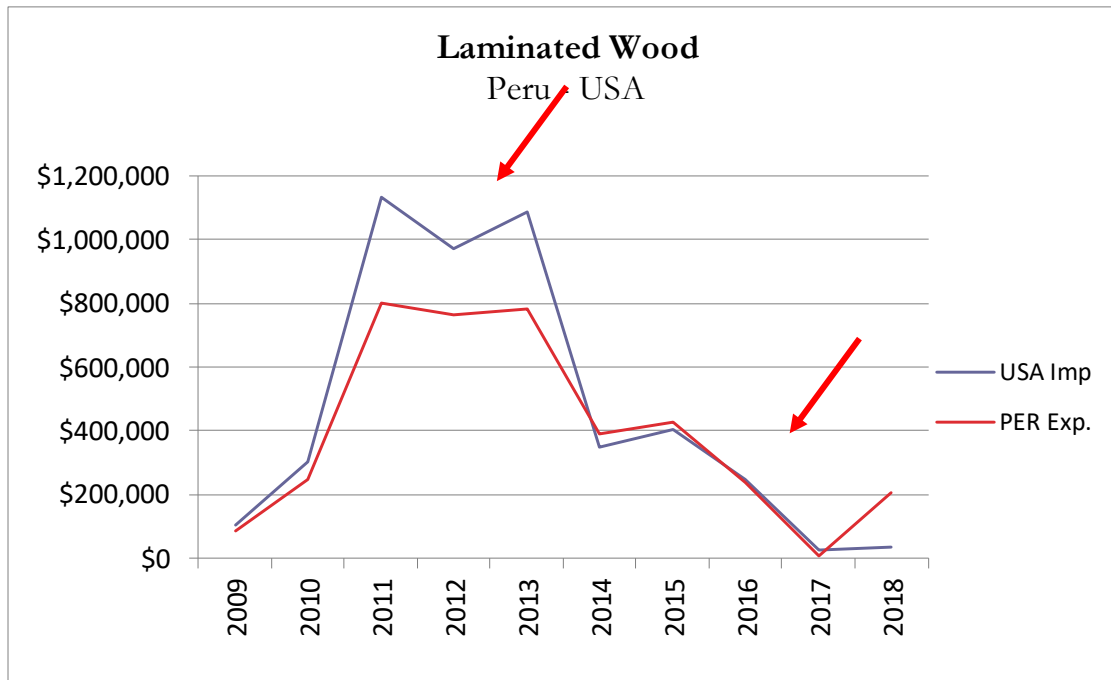
Sawn Wood
Peru - USA



Boards and Planks
Peru - USA

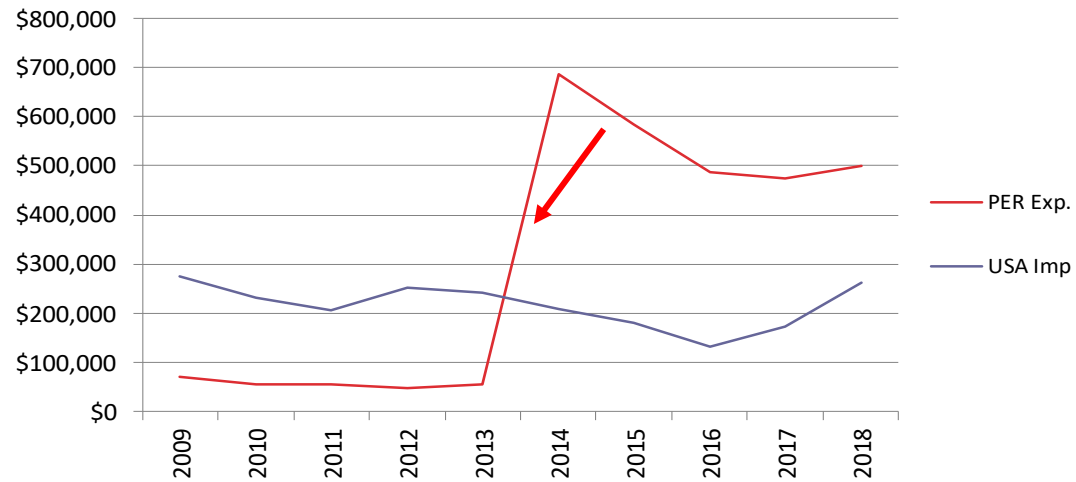


Peru & USA

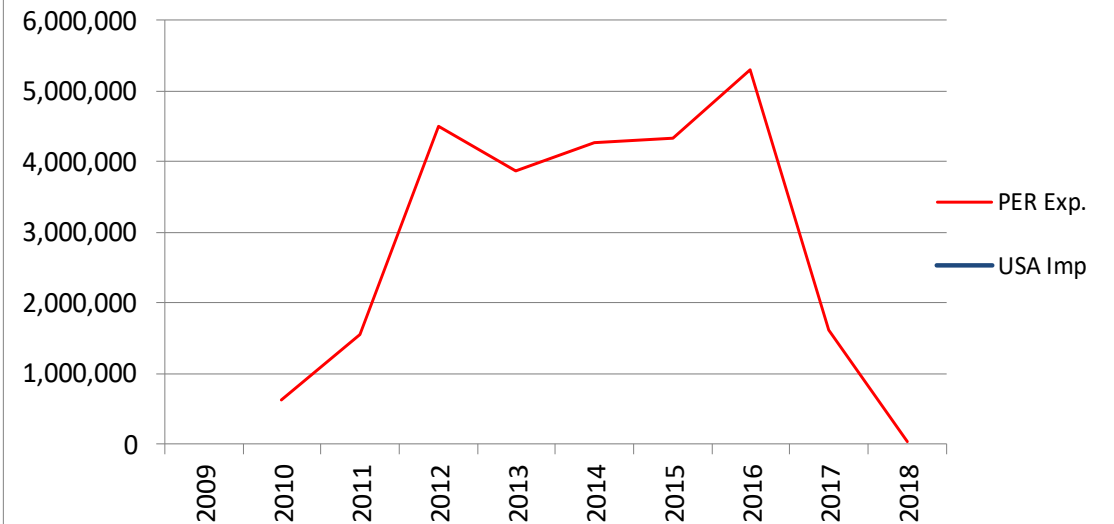


Peru & USA

Wood Marquetry
Peru - USA

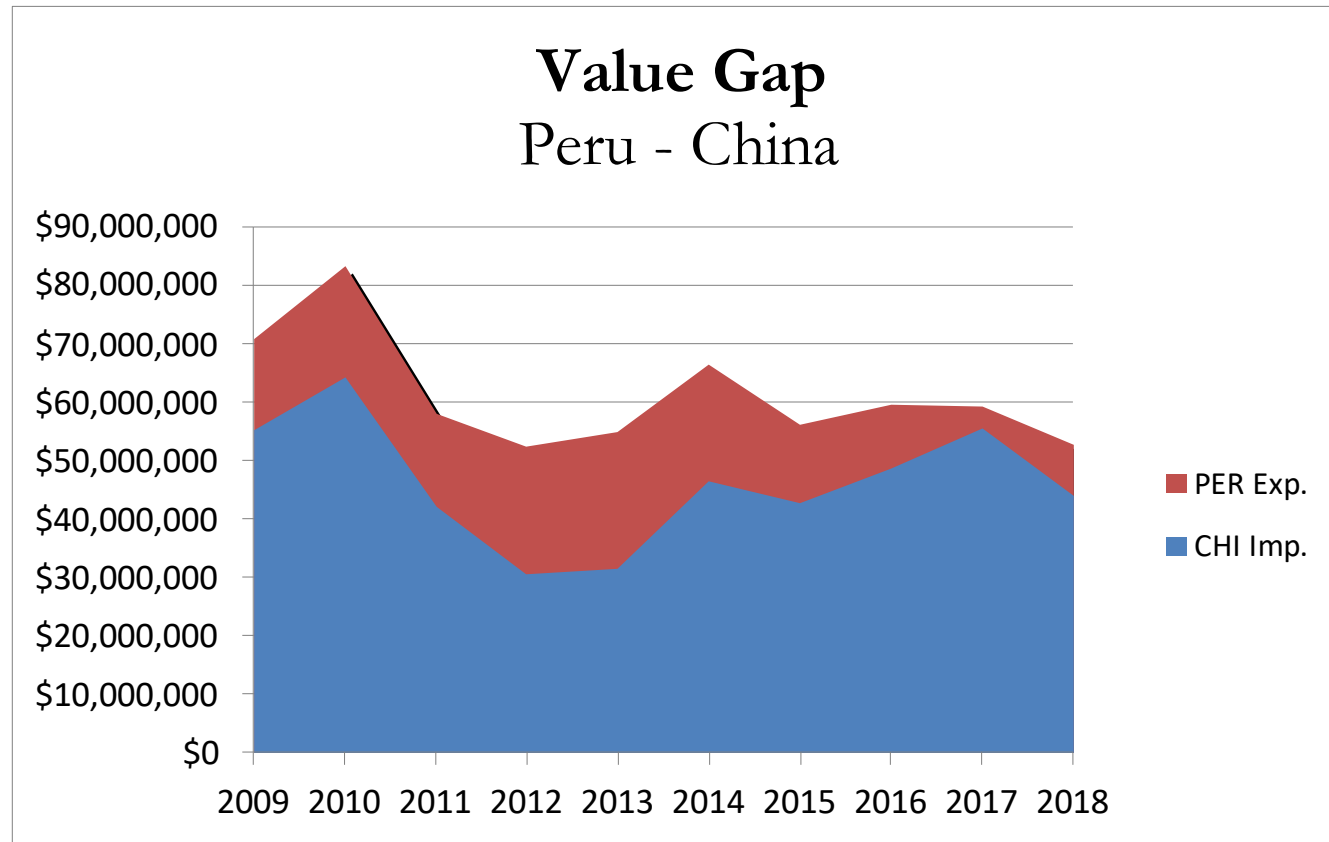


Desified Wood
Peru - USA

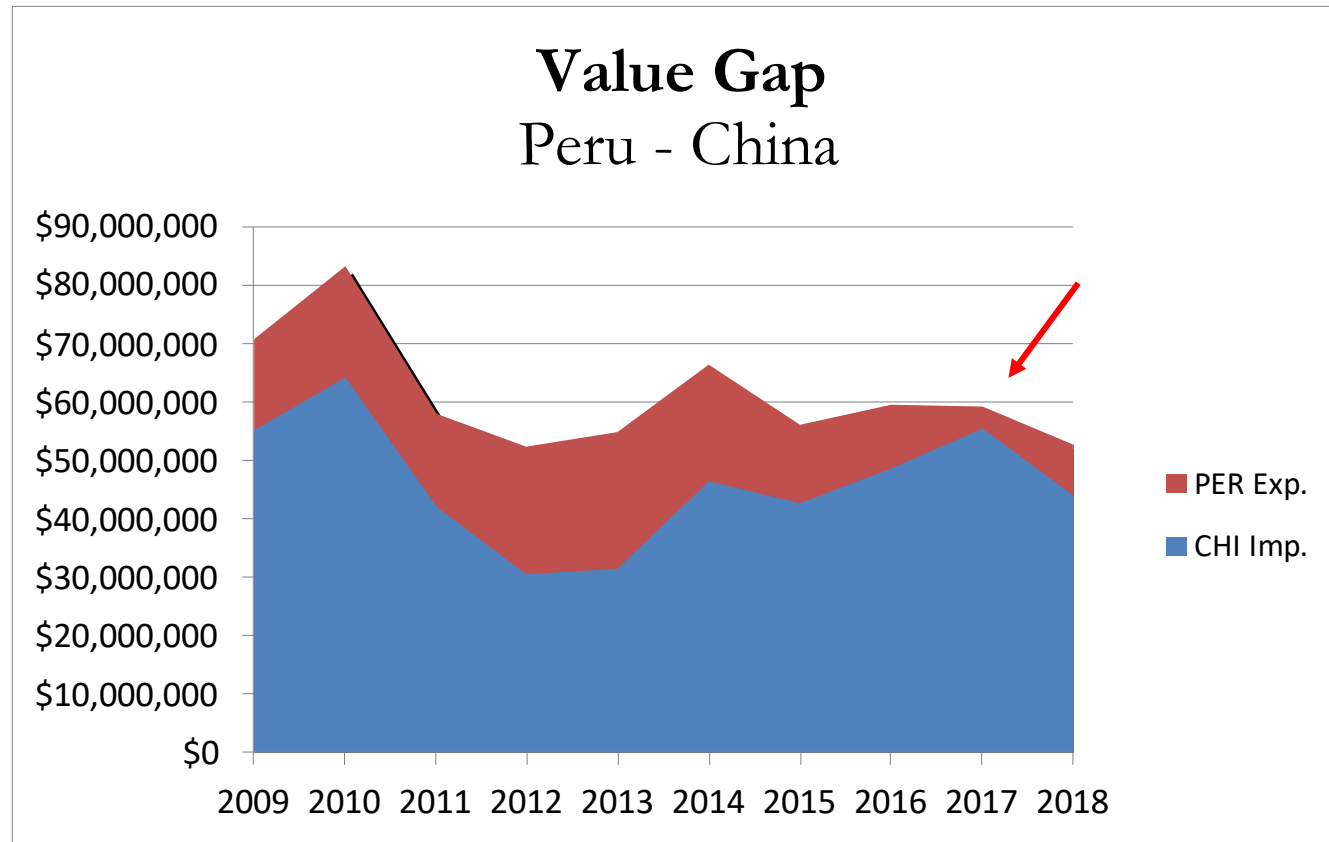


Peru & China

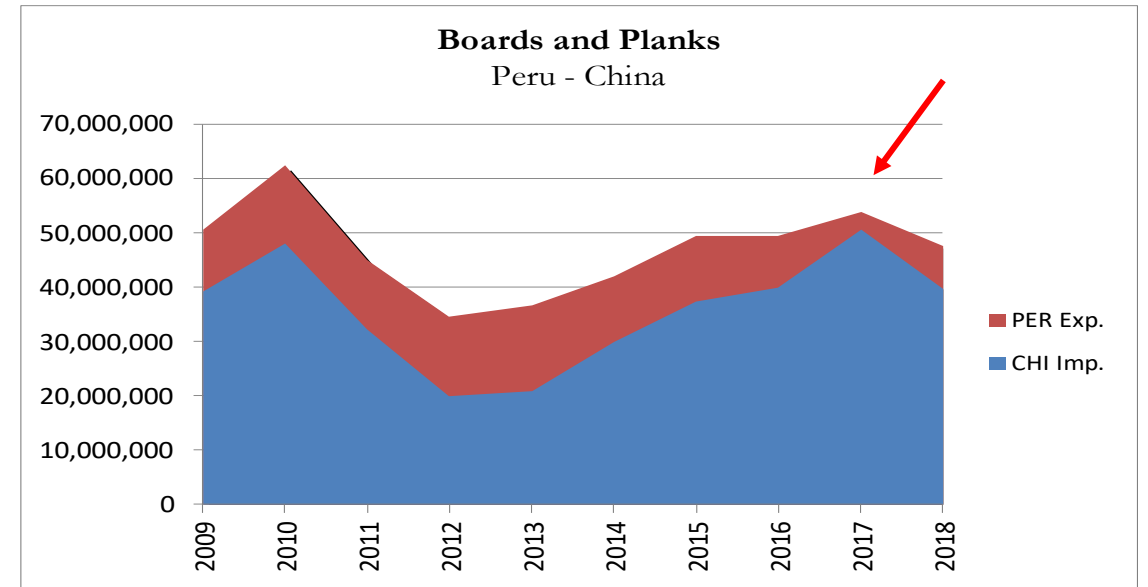
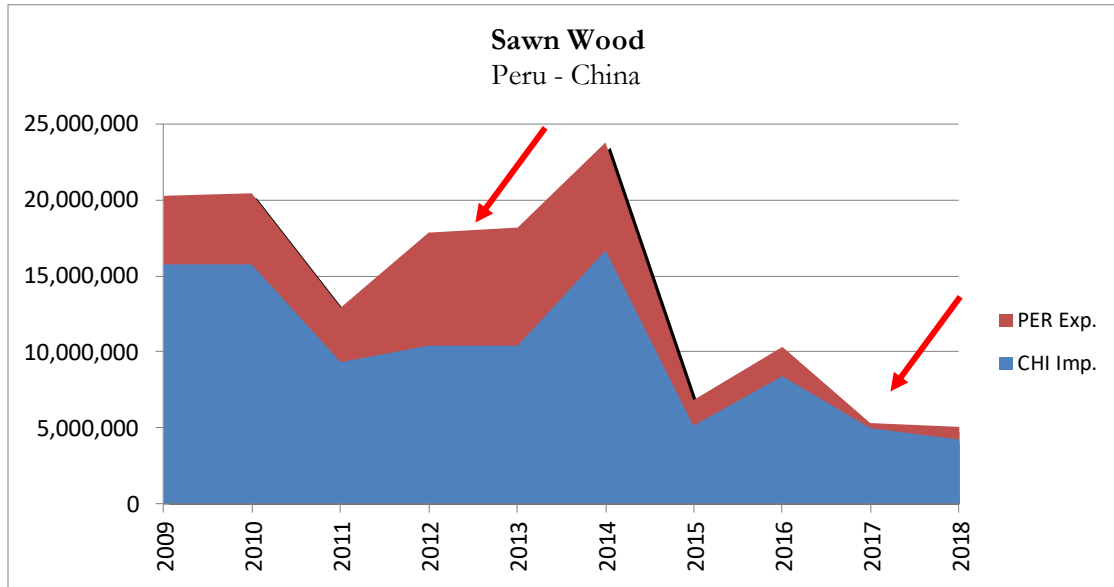
Peru & China



Peru & China

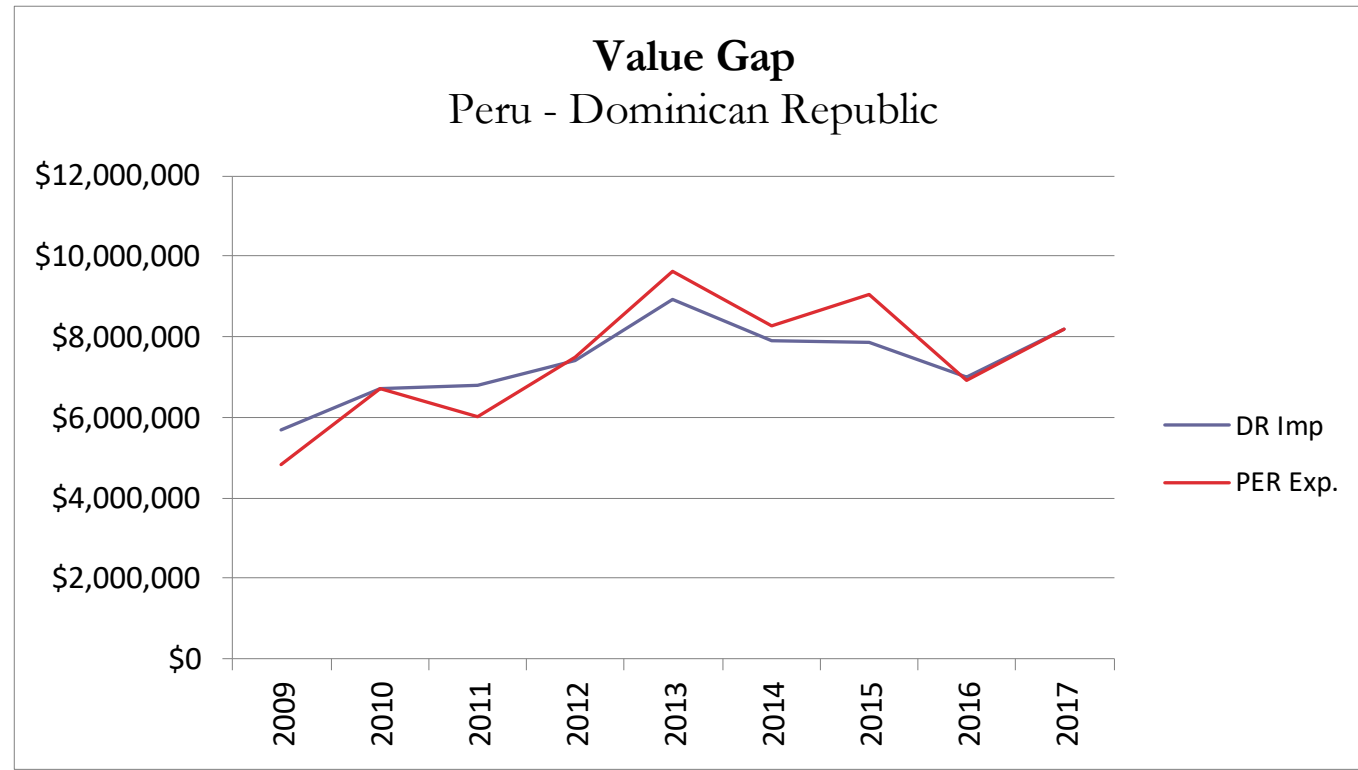


Peru & China

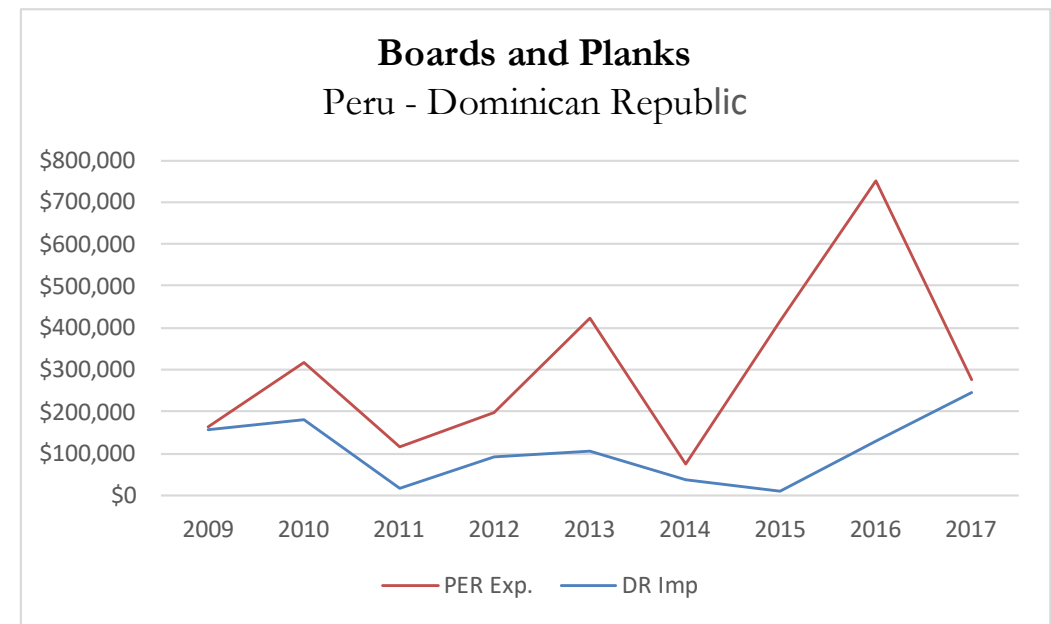
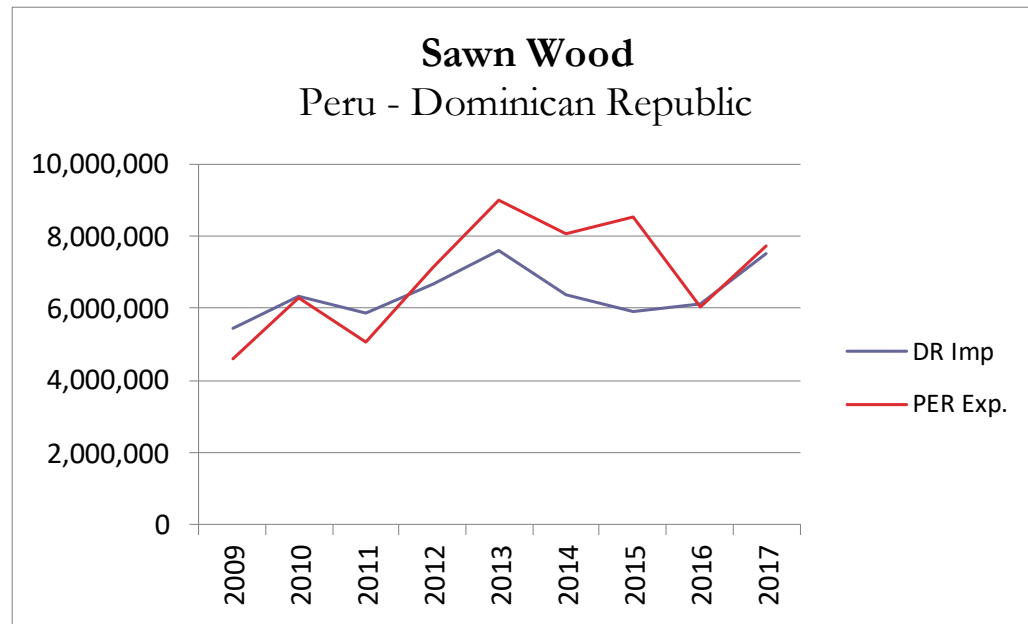


Peru & Dominican Republic

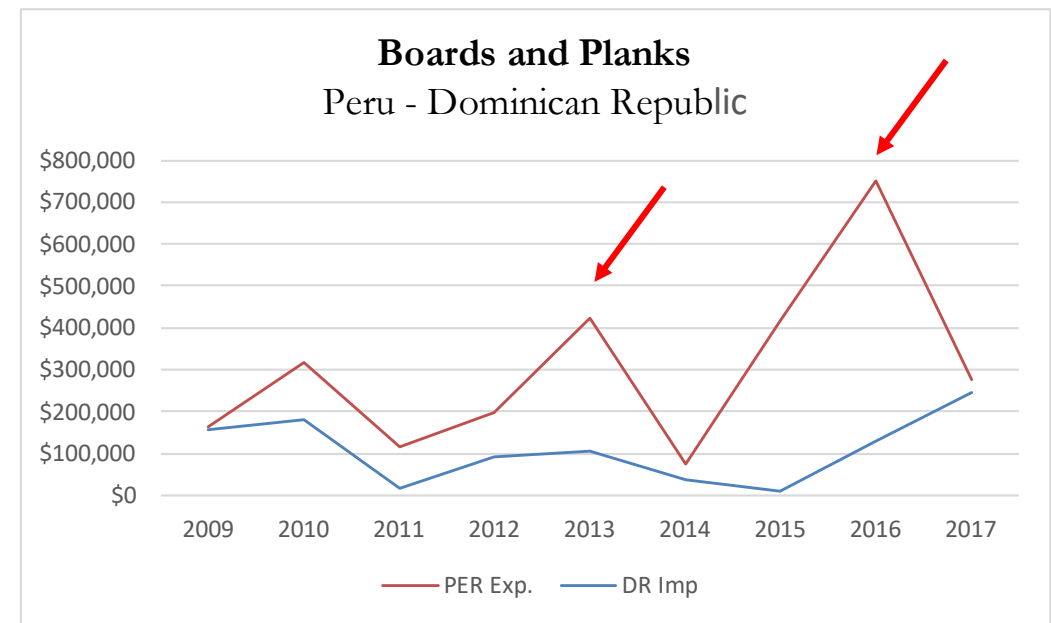
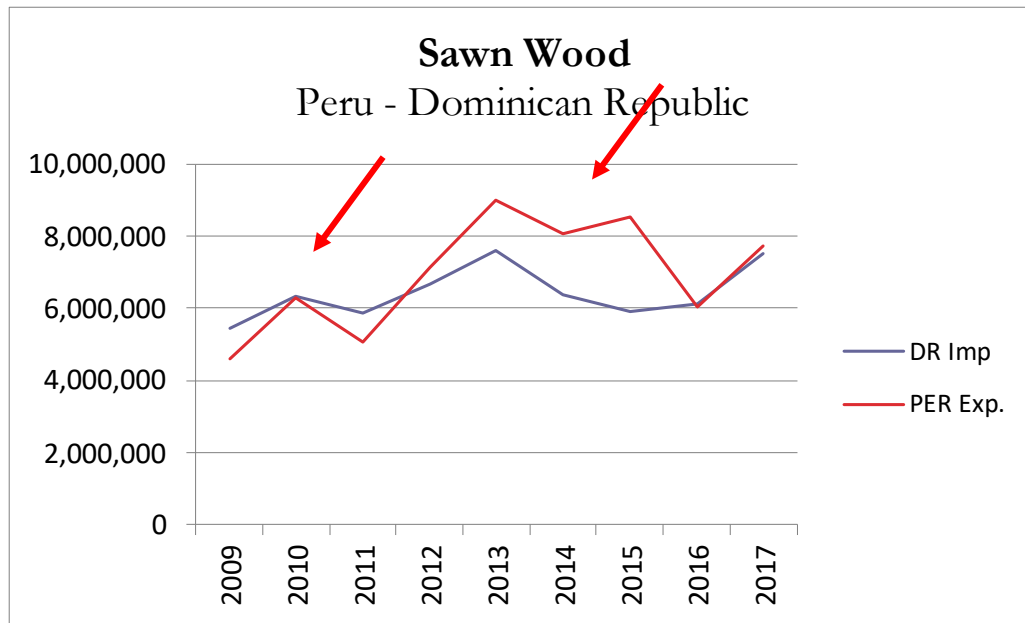
Peru & Dominican Republic



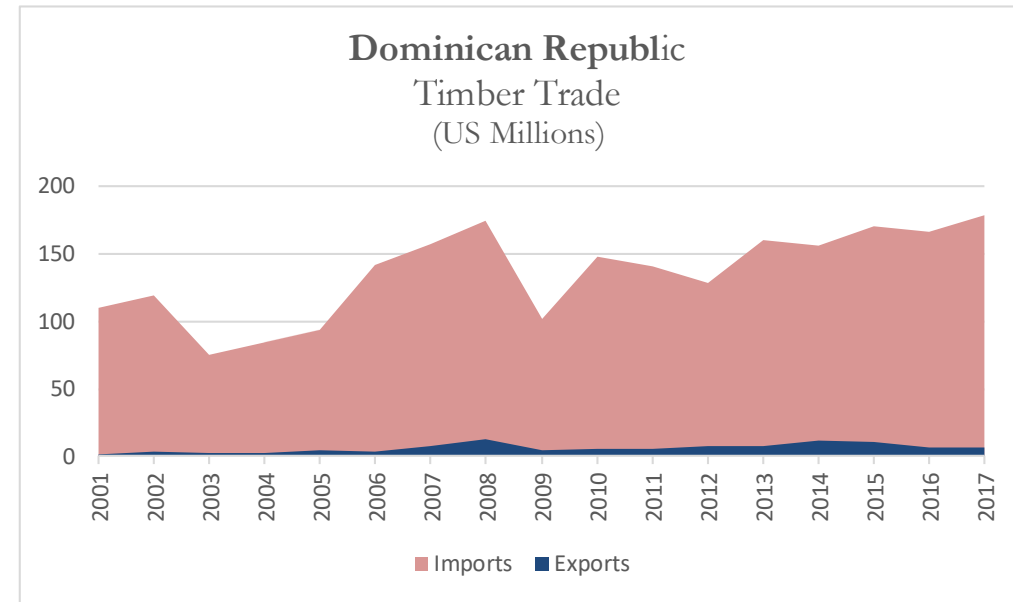
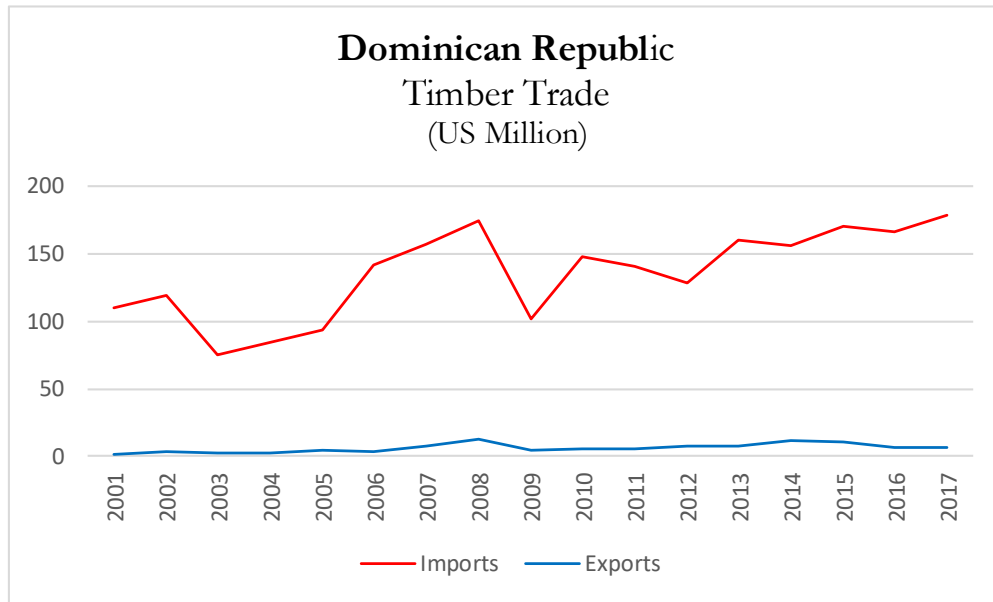
Peru & Dominican Republic



Peru & Dominican Republic



Peru & Dominican Republic



Takeaways

- Significant and consistent value discrepancies
- Consistently undervalued exports (money outflow) to Mexico and the US
 - Potential under-invoicing to:
 - Avoid taxes
 - Conceal profits abroad
 - Profit in informal currency exchange markets
- Consistently overvalued exports (money inflow) to China and the Dominican Republic – Potential over-invoicing to:
 - Incorporate illicit funds into the country (money laundering)
 - to abuse export incentives
 - Evade capital controls

Takeaways

- An impressive difference between the amounts of timber imported by the Dominican Republic compared to its potential for internal consumption
- TDA is a useful methodology to identify possible illegal movement of money in the trade of any commodity
- Inter-institutional coordination and cooperation should be enhanced
- Data access and transparency needed

Thank you

Lessons from research: Using trade data to expose illicit financial flows and corruption in natural resource commodities, and broader applications



WWF-Peru / Enrique Castro-mendivil



Channing Mavrellis
Illicit Trade Director
Global Financial Integrity



Out of the Woods:

Trade Misinvoicing and Exports of Tropical Timber from Colombia

Channing Mavrellis
Illicit Trade Director
Global Financial Integrity

*Lessons from research: Using trade data to expose
IFFs and corruption in natural resource commodities
and broader applications*

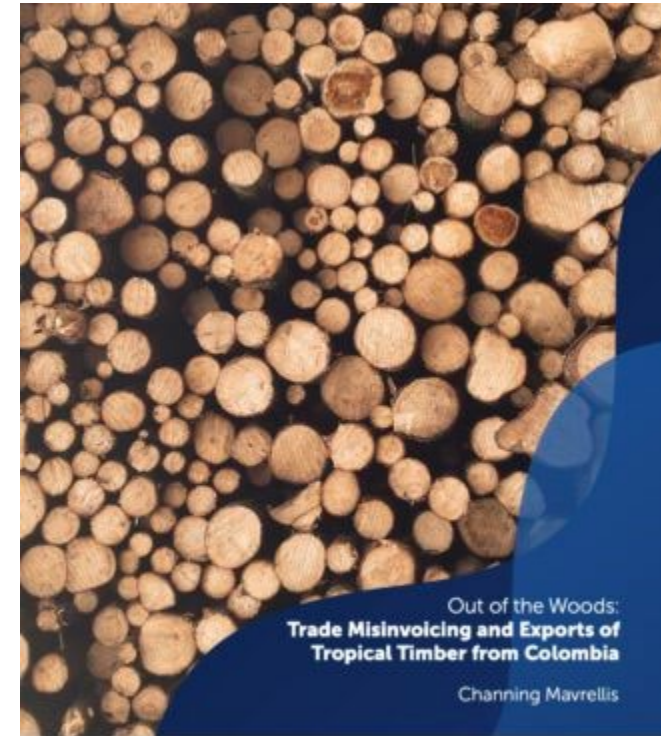
Targeting Natural Resource Corruption
18 May 2021



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Behind the research

- What happens once the timber is felled and transported?
- What role does customs play?
- How much of the trade is illicit?



Colombia's Value Gaps by Trade Partner, 2009-2018

Exports to Trade Partner Reported by Colombia	Total Export Value (US\$)	Value Gap (US\$) Absolute	Total Import value (US\$)	Imports from Colombia Reported by Trade Partner
Panama	\$51,708,992	\$37,334,976	\$14,374,016	Panama
Chile	\$1,776,534	\$29,939,564	\$31,716,098	Chile
Venezuela	\$46,855,929	\$27,924,311	\$74,780,240	Venezuela
Ecuador	\$7,016,842	\$22,946,688	\$29,963,530	Ecuador
India	\$78,591,610	\$10,259,155	\$88,850,765	India
USA	\$31,516,850	\$8,024,846	\$39,541,696	USA
Costa Rica	\$29,765,937	\$5,522,813	\$24,243,124	Costa Rica
Vietnam	\$28,230,542	\$3,553,083	\$24,677,459	Vietnam
Dominican Republic	\$5,735,127	\$3,497,558	\$9,232,685	Dominican Republic
Bangladesh	\$1,826,637	\$1,810,758	\$15,879	Bangladesh
TOTAL	\$283,025,000	\$150,813,751	\$337,395,492	

Data source: UN Comtrade Database



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Trade misinvoicing of Colombia's tropical wood exports, 2009-2018

Year	Total Export Value (US\$)	Total Export Volume (M³)	Average US\$/M³	Total Export Transactions	Total Misinvoicing Value (US\$)	Total Misinvoiced transactions	Total Value of Under-invoicing (US\$)	Total Under-invoiced Transactions	Total Value Of Over-Invoicing (US\$)	Total Over-Invoicer Transactions
2009	4,873,479.61	13,901.22	352.44	213	152,142.41	65	16,422.50	10	135,719.91	55
2010	7,968,577.81	19,607.72	423.99	260	273,550.07	73	46,515.60	33	227,034.47	40
2011	6,981,317.35	17,147.83	483.58	237	362,773.39	132	156,931.57	73	205,841.82	59
2012	8,367,777.31	23,756.77	393.24	281	451,333.63	97	168,644.08	47	282,689.55	50
2013	11,026,444.72	32,179.61	364.70	239	619,501.62	88	231,710.19	36	387,791.43	52
2014	18,045,127.28	42,021.30	462.37	483	1,905,411.75	266	892,964.56	140	1,012,447.19	126
2015	7,994,251.41	23,012.71	373.40	284	817,254.90	154	399,852.21	97	417,402.69	57
2016	9,594,963.80	23,303.68	466.75	268	507,997.68	101	332,068.06	70	175,929.63	31
2017	4,391,927.54	15,689.06	290.76	190	115,790.26	33	18,751.66	13	97,038.60	20
2018	4,615,032.51	16,983.46	290.64	177	157,353.52	58	15,158.86	41	142,194.66	17
Total	83,858,899.34	227,603.36		2,632	5,363,109.23	1,067	2,279,019.28	560	3,084,089.94	507

Data source: Panjiva database.



GLOBAL FINANCIAL INTEGRITY

Consignee Country	Total Export Value (US\$)	Total (M³) Exported	Average US\$/M³	Total Export Transactions	Total Misinvoicing (US\$)	Total Misinvoiced transactions	Total Under-invoicing (US\$)	Total Under-invoiced Transactions	Total Over-Invoicing (US\$)	Total Over-Invoiced Transactions
[Missing] ²⁷	272,160.85	666.34	408.44	12	38,808.52	5			38,808.52	5
Anguilla	31,716.91	55.60	570.45	1	4,727.56	1			4,727.56	1
Belgium	80,427.95	161.74	497.27	6	19,308.83	5			19,308.83	5
Brazil	48,568.38	93.40	520.00	1	-	0				
Canada	20,483.10	41.38	495.00	1	1,523.61	1			1,523.61	1
China	22,862,865.14	42,876.95	533.22	608	1,765,498.70	287	(31,320.39)	4	1,734,178.31	283
Cyprus	35,190.00	46.00	765.00	1	6,272.10	1			6,272.10	1
Denmark	69,557.70	127.23	546.71	2	-	0				
Dominican Republic	23,749.14	32.39	733.22	1	3,387.17	1			3,387.17	1
Ecuador	581,186.69	1,819.15	319.48	19	19,409.62	9	(19,409.62)	9		
Germany	621,735.66	1,338.07	464.65	19	86,560.82	8	(789.79)	1	85,771.03	7
Hong Kong	5,126,556.11	12,563.75	408.04	137	252,963.15	47	(25,803.26)	9	227,159.89	38
India	2,609,476.82	7,249.14	359.97	155	274,609.99	78	(128,382.46)	42	146,227.53	36
Israel	13,837.90	14.56	950.41	1	6,770.18	1			6,770.18	1
Japan	1,199,619.69	2,514.33	477.11	28	1,936.62	1			1,936.62	1
Panama	1,091,642.50	2,927.39	372.91	33	33,239.12	13	(7,267.89)	1	25,971.23	12
Singapore	27,328,988.37	90,824.29	300.90	901	1,519,133.27	331	(1,372,501.73)	309	146,631.54	22
South Korea	135,654.44	215.05	630.80	10	28,893.13	6			28,893.13	6
Spain	29,674.78	28.24	1,050.81	2	13,579.55	1			13,579.55	1
Taiwan	1,063,689.60	1,749.74	607.91	47	189,012.76	22	(575.31)	2	188,437.45	20
Turkey	16,696.09	20.48	815.24	1	4,269.24	1			4,269.24	1
United Arab Emirates	256,117.00	344.50	743.45	14	39,547.08	14			39,547.08	14
United Kingdom	89,944.95	269.61	333.61	14	1,037.10	2	(1,037.10)	2		
United States	17,213,902.79	55,613.50	309.53	527	708,328.17	183	(659,326.58)	176	49,001.58	7
Vietnam	3,035,456.78	6,010.53	505.02	91	344,292.97	49	(32,605.16)	5	311,687.81	44
Total	83,858,899.34	227,603.36	368.44	2,632	5,363,109.23	1,067	(2,279,019.28)	560	3,084,089.94	507

Data source: Panjiva database.



ANCIAL INTEGRITY

Trade misinvoicing of tropical wood exports by Consignee 1 and its Exporters, 2009-2018

Consignee Company and Exporters	Total Value of Exports (US\$)	Total Volume (M ³)	Average US\$/M ³	Total Transactions	Total Misinvoicing (US\$)	Total Misinvoiced transactions	Total of Under-Invoicing (US\$)	Number of Under-Invoiced Transactions	Total of Over-Invoicing (US\$)	Number of Over-Invoiced Transactions
Consignee 1	\$25,247,740.15	84,204.35	\$299.84	794	\$1,454,994.49	295	\$(1,338,743.02)	284	\$116,251.47	11
Exporter 2	\$10,146,486.76	36,902.96	\$274.95	332	\$1,230,869.98	204	\$(1,195,702.13)	201	\$35,167.85	3
Exporter 3	\$9,848,695.34	32,119.50	\$306.63	348	\$54,052.04	53	\$(41,134.65)	51	\$12,917.40	2
Exporter 9	\$3,855,020.66	9,874.96	\$390.38	53	\$108,451.53	12	\$(40,285.31)	6	\$68,166.22	6
All other	\$60,008,696.58	148,705.94	\$403.54	1,899	\$3,969,735.67	798	\$(1,001,897.19)	302	\$2,967,838.48	496
Total	\$83,858,899.34	227,603.36	\$368.44	2632	\$5,363,109.23	1,067	\$(2,279,019.28)	560	\$3,084,089.94	507

Data source: Panjiva database.



Recommendations

- Address the legality of exports
- Require exporters to record timber species
- Stricter scrutiny of pricing abnormalities
- Improve beneficial ownership policy
- Stricter scrutiny of high-risk countries
- Stricter scrutiny on customs agencies
- Reduce barriers to data



Lessons from research: Using trade data to expose illicit financial flows and corruption in natural resource commodities, and broader applications



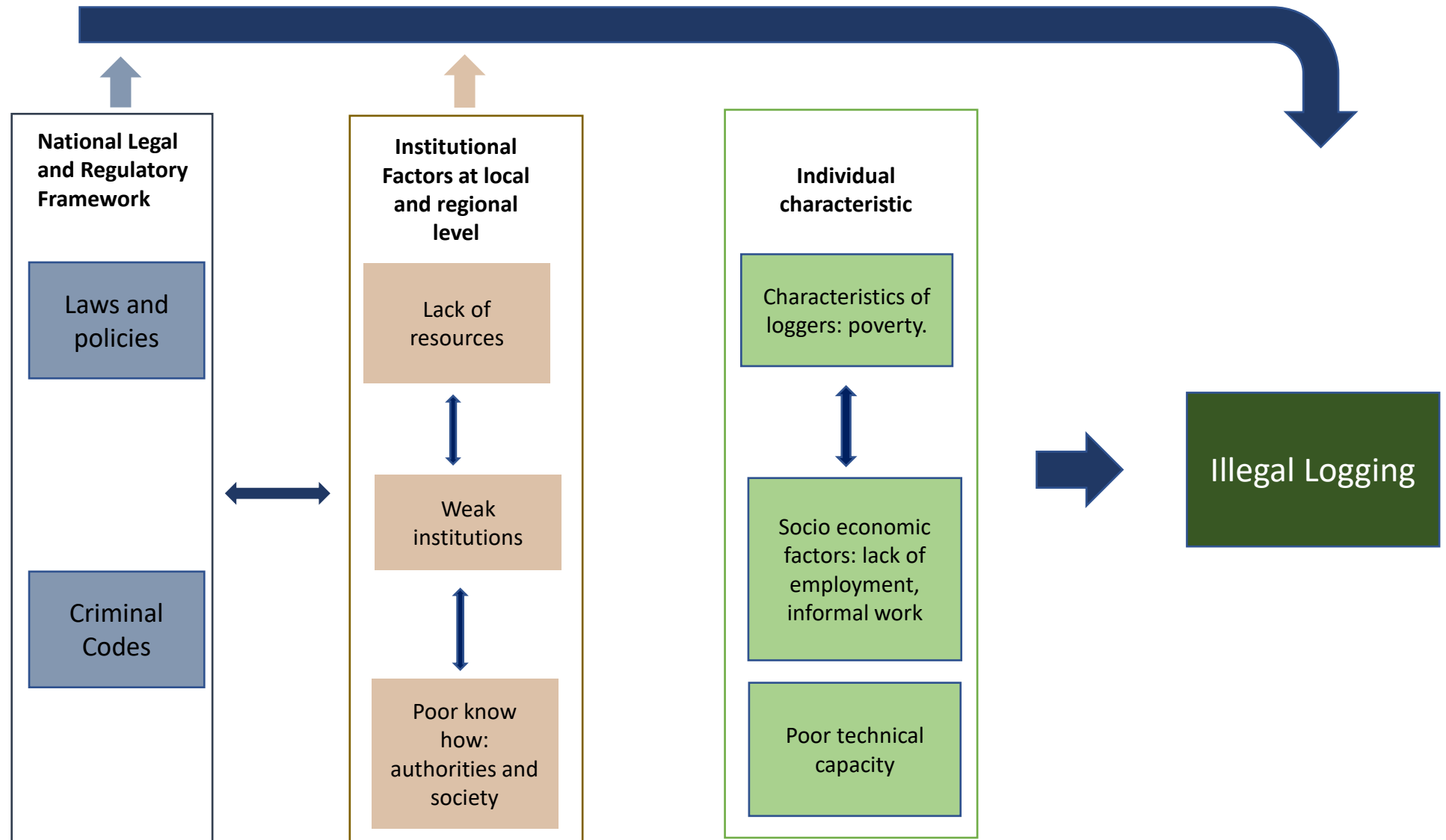
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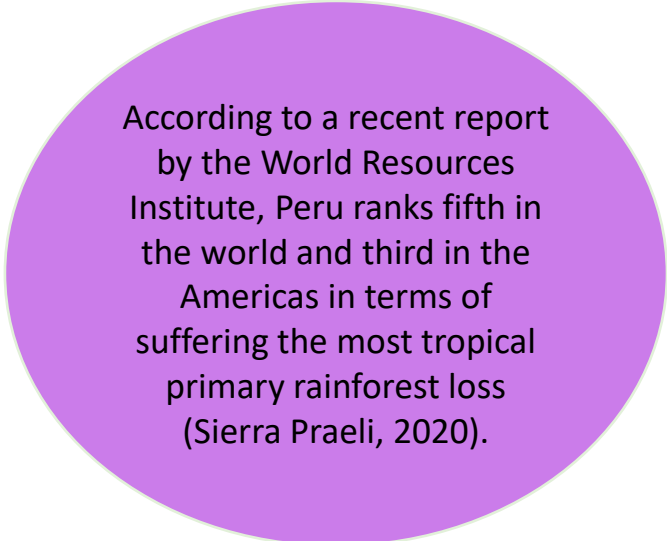


Structural factor of Illegal Logging



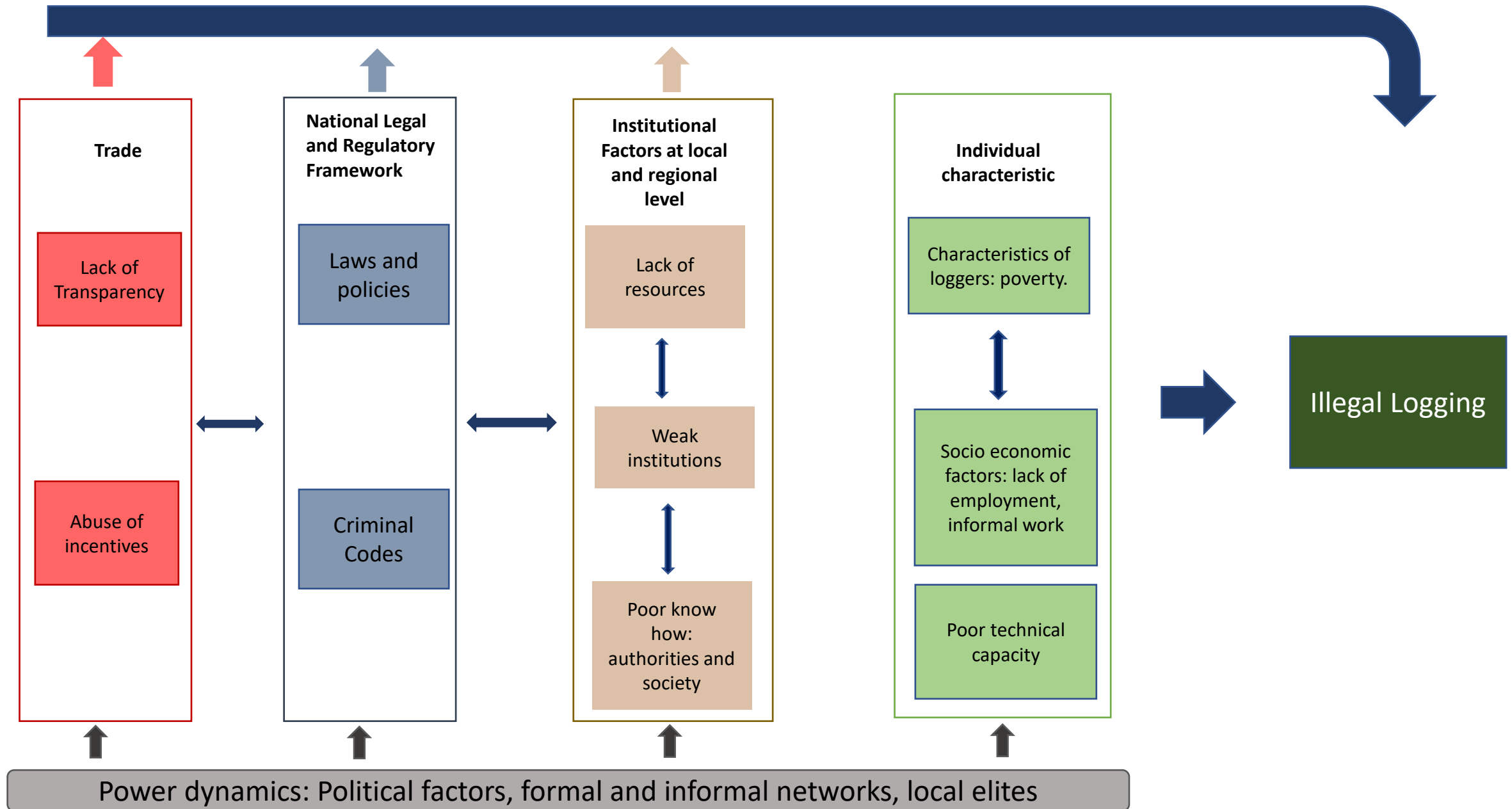
Strategies used to address structural factors

- Trainings (sawmills, local and regional governments)
- Income generation (local communities)
- Donations (equipment, etc.)
- Land titling
- Training of community forest guards.
- Training of public servants
- Donations (equipment)
- Land titling
- Implementation of new systems procedures
- Development of legal and institutional frameworks
- Development of Criminal Code



According to a recent report by the World Resources Institute, Peru ranks fifth in the world and third in the Americas in terms of suffering the most tropical primary rainforest loss (Sierra Praeli, 2020).

Structural factor of Illegal Logging



New strategies to address economic and political determinants

- Trainings (sawmills, local and regional governments, communities and community leaders)
- Income generation (local communities)
- Donations (equipment, etc.)
- Land titling, recognition of ownership **at the core**
- Training of community forest guards
- Training of public servants
- Donations (equipment)
- Land titling
- Implementation of new systems procedures
- **Good practices: Enforcement, resource allocation, administrative procedures (to challenge structures that allow cases to happen, beyond criminal cases and individual responsibilities)**
- **Transparency**
- Development of legal and institutional frameworks
- Development of Criminal Code
- **Transparency (trade, revolving door, conflict of interest)**
- **Enforcement**
- **Resource allocation**
- **Transparency**
- **Access to information**

And.....

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Targeting Natural Resource Corruption

Harnessing knowledge, generating evidence, and supporting innovative policy and practice for more effective anti-corruption programming



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