

VALCO TRADING

ENVIRONMENTAL CRIME

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Environmental Crime

INDEX

Money Laundering from Environmental Crime	2
Money Laundering, Statistics, and Illegal Wildlife Trade.....	4
Environmental Crimes Related to Narcotics Trafficking	6
Environmental Crimes Related to HUMAN TRAFFICKING	9

Introduction

Environmental crime ranks among the most profitable criminal enterprises, generating approximately thousands of crores of rupees in illicit gains annually. It encompasses a broad spectrum of illegal activities, including illegal logging, wildlife trafficking, and waste smuggling.

The laundered proceeds from these criminal activities perpetuate further environmental crime, leading to extensive consequences for natural habitats, the economy, public health, and safety.

Despite the severe impact, law enforcement and environmental agencies, along with banks, lenders, and other financial institutions, often lack awareness of their exposure to this type of financial crime. The FATF (Financial Action Task Force) has concentrated on investigating how criminals launder proceeds from environmental crime and increasing awareness among the public and private sectors, as well as environmental crime organizations.

Money Laundering from Environmental Crime

Environmental crime – including forestry crime, illegal mining, and waste trafficking – is a highly profitable criminal enterprise, generating billions in illicit gains annually. It fuels corruption and intersects with other serious and organized crimes such as tax fraud, drug trafficking, and forced labor. Valco Trading does not support or promote any type of environmental crime.

The FATF Report identifies methods used by criminals to launder proceeds from environmental crime and provides tools that governments and the private sector (such as Valco Trading) can use to disrupt this activity. When properly implemented, the FATF Recommendations offer effective measures to combat these illicit financial flows.

Environmental crime is a 'low risk, high reward' crime. In many countries, lenient sanctions for environmental crimes, coupled with limited efforts to track and confiscate the profits, make this a lucrative yet safe source of income for criminals. The FATF conducted this study to enhance understanding of the scale and nature of money laundering threats from environmental crime and to bolster responses across both public and private sectors. The G20 Finance Ministers and Central Bank Governors have also acknowledged the need for stronger action and the significance of FATF's role in supporting biodiversity goals.

Building on the FATF's 2020 report on Money Laundering and the Illegal Wildlife Trade, this report reveals that criminals are making enormous profits by using front companies to mix legal and illegal goods and payments early in the resource supply chains. They also rely on corruption, trade-based fraud, and offshore corporate structures to conceal the ultimate beneficiaries of these crimes.

As a priority, countries should:

1. Consider the risks of criminals exploiting their domestic financial and non-financial sectors to conceal proceeds from environmental crimes. This is pertinent even for countries without domestic natural resources, as FATF research shows criminals hide proceeds across regions, including trade and financial centers.
2. Strengthen inter-agency cooperation between financial investigators and environmental crime agencies to detect and pursue financial investigations into environmental crimes. This includes collaborating with foreign counterparts to share information, facilitate prosecutions, and recover assets moved and held abroad.

The private sector also plays a crucial role in detecting financial flows from environmental crimes. Valco Trading employs efficient methodologies to identify environmental crimes. The FATF study highlights good practices and risk indicators to help financial and non-financial sectors identify potential cases.

Moving forward, FATF will maintain its focus on environmental crime, including exploring whether further policy work is necessary. In September 2021, FATF plans to host a public webinar for non-government stakeholders to discuss the findings of this new study.

FATF Standards mandate that countries criminalize money laundering for a range of environmental crimes. In 2021, the FATF added several examples of environmental crimes to the FATF Glossary to clarify the types of offenses that fall within this category. However, addressing environmental crime requires concerted action and collaboration.

FATF's focus on environmental crime brought together, for the first time, heads of international organizations including the UN's Office on Drugs and Crime (UNODC), the UN Environment Programme (UNEP), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). They met with the FATF to discuss developing partnerships to tackle the dirty money fueling environmental crimes.

Valco Trading aims to unite representatives from civil society, and the private and public sectors for a webinar to discuss how to address the gaps in our systems and modern society to protect the environment and preserve the world's natural resources.

The illegal wildlife trade is a major transnational organized crime, generating billions in criminal proceeds annually. One of the most effective ways to dismantle broader criminal networks and eliminate profits from this crime is to follow the financial trails of wildlife traffickers. The FATF's 2020 report emphasized the need for every country to assess their money laundering risks related to the illegal wildlife trade and ensure a robust legal framework to target the finances of wildlife traffickers and conduct financial investigations.

Money Laundering, Statistics, and Illegal Wildlife Trade

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Illegal wildlife smuggling crimes mostly include Rosewood Timber, Elephant tusk smuggling, Rhinoceros horn smuggling, Pangolin scales smuggling, Live reptiles smuggling, Wild Birds smuggling, Value chains, and illicit financial flows from the trade in ivory. The Top Countries involved in wildlife smuggling are :

- **Ecuador:** Latin America is vulnerable to wildlife smuggling because of its biodiversity. Ecuador is known for its biodiversity. In northern Ecuador, the Yasuní National Park and the surrounding Waorani Ethnic Reserve, which cover about 1,770 square miles, are home to around 4,000 species of plants; numerous animals, including the giant river otter; more than 400 fish species; and more than 500 species of birds. As a comparison, the United States is home to 900 species of birds. Commonly smuggled birds include the scarlet macaw; this colorful bird, with bright red, brilliant blue, yellow, and white feathers, is in high demand as a pet. Animals stolen in Latin America often end up in Europe, the United States, or Japan. Though there are laws against wildlife smuggling, the lack of resources causes conservation to be low in priority.
- **United States:** The U.S. is also one of the leading countries in wildlife-related crimes. The Lacey Act of 1900 is a U.S. federal law that prohibits trade in wildlife, fish, and plants that have been illegally taken, possessed, transported, or sold, including endangered species. In 2022, the Big Cat Public Safety Act was enacted, requiring licenses to keep large exotic cats such as lions and tigers and banning cub petting, a lucrative enterprise that incentivized an illegal underground endangered animal trade publicized by the popular documentary miniseries **Tiger King**.
- **Tanzania and Kenya:** Due to the vast range of forest of about 35,257,000 hectares which is spread through the Country, these countries take a leading part in deforestation, and Ivory smuggling also. CEN (Customs Enforcement Network of the World Customs Organisation) and CEN (Customs Enforcement Network of the World Customs Organisation,(includes CITES, INTERPOL, UNODC, World Bank, and WCO)) are taking ample steps to stop and protect the Wildlife Crimes.
- **China:** The use of Traditional Chinese Medicines (TCM) began during the 10th century BCE. Utilizing a variety of plants and animals, TCM was considered the key to treating disease and mitigating the effects of aging. Around 200 years after discovering the germ theory of disease, TCM began to receive pushback from younger, educated crowds. Despite the pushback, TCM remains an essential aspect of cultural identity for many in the Chinese nation, bringing \$10 million into the economy in 2005.

Unfortunately, using animal derivatives for traditional medicines has been considered a key driver for the global wildlife trafficking trade. Many commonly used species are now listed as threatened or endangered by the IUCN, with other species showing declines in their populations.

A recent study sought insights into China's millennial population's attitude towards consuming wildlife products for medicinal purposes. Of the 350 students surveyed by Chinese university students, three-quarters of respondents had yet to try any wildlife products, and only 11% of those respondents stated interest in trying them in the future. Chinese culture historically held a utilitarian view of nature. Still, with societal and cultural shifts, this may begin to change with China's youth.

- **Africa:** Although understudied, wild meat is sourced illegally, often due to political and economic instability in African nations. In rural areas, bushmeat is often used as a way to survive poverty and a lack of food security. In contrast, urban residents typically eat bushmeat for the status it brings as a luxury item. Additionally, wild meat is exported from Africa to international markets every year.

Ivory continues to be in great demand for international markets as well, with an estimated 100 African elephants killed daily for their tusks.

Valco Trading takes sufficient measures in counter-fighting wild-life smuggling. If the Company finds any kind of suspicious transaction (mostly above U.S.D. 10,000\$) transferred from or to these above-mentioned countries, it immediately raises a RED-FLAG on the transaction done. Valco Trading has a very well-equipped Compliance team, that does thorough research (background verification) on the total whereabouts (person doing/receiving the transaction, zone from/to where the transaction, etc) of the particular transaction. Valco Trading does not support or encourage any of the above-mentioned wildlife crimes and it also strictly condemns any kind of Wildlife smuggling.

Environmental Crimes Related to Narcotics Trafficking

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Environmental crimes are often closely linked with narcotics trafficking. Deforestation, illegal land clearing, and illicit mining activities are frequently associated with drug production and trafficking routes. The degradation of natural environments not only supports the concealment and transport of narcotics but also exacerbates the environmental impact of drug-related activities. Criminal networks involved in drug trafficking often engage in environmental crimes to facilitate their operations, further expanding their illicit income sources.

Therefore, addressing environmental crimes related to narcotics trafficking requires a multifaceted approach, integrating environmental protection strategies with anti-narcotics efforts. Enhanced cooperation between environmental and narcotics enforcement agencies is crucial for effectively disrupting these intertwined criminal activities and mitigating their impact on both natural ecosystems and global security.

A few countries importing and/or exporting and/or consuming and/or providing travel routes for narcotics trafficking are as follows :

- **Colombia/Peru/Bolivia:** Coca-bush cultivation appears to be on the rise in these only countries. it is produced in the farms in the form of a plant (Coca plant), later processed

with various chemicals, and the final product formed is a white powder called Cocaine. Cocaine is trafficked to Europe by both sea and air, primarily via Colombia, Brazil and Venezuela. The Caribbean and West Africa are important transit areas, while Central America appears to be becoming more important. Cocaine is also trafficked via routes for other drugs, such as cannabis via North Africa and heroin through East Africa. Cocaine is smuggled into Europe in many ways, from air couriers and express packages to private yachts and jets. The use of maritime containers is of increasing concern. A huge array of concealment methods is used, including those that require chemical extraction.

- **Afghanistan:** In terms of production, Afghanistan would be the major producer of cannabis resin (also hash) in the world. This is principally due to the high resin yields measured in Afghanistan (145 kg/ha), which are four times higher than in Morocco (36 kg/ha measured in 2005), where cannabis resin is also produced. Cannabis use has been a topic of interest and controversy on a global level for years. Over the past few decades, there has been a significant shift in attitudes toward cannabis, leading to increased consumption and legalization efforts in several countries. The United States and Canada have been at the forefront of this movement. Other countries worldwide, like Uruguay, and several European nations, such as Luxembourg and Albania, have also legalized cannabis to varying degrees. Countries like the Netherlands, Luxembourg, Nigeria, Chechia, Uruguay, Chile, and Argentina are some of the biggest consumers of Cannabis in the world.
- **Mexico:** The Sinaloa Cartel, often considered the largest and most powerful drug trafficking organization in the Western Hemisphere, is a network of some of Mexico's most important drug lords. Members work together to protect themselves.
- **United States:** Drug abuse is one of the major challenges to the United States. Between July 2022 and July 2023, over 106,000 Americans died because of drug overdose. While this is a slight decrease compared to previous years, overdose deaths are still significant. The country saw a continual rise in overdose deaths until 2021, during which the drug overdose death toll crossed the 100,000 mark. Overdose death is just one aspect of the menace drug abuse has caused in American society. It has far-reaching effects on various aspects of society, including the economy and public health. Substance abuse costs the American economy nearly \$3.73 trillion annually.

Valco Trading does not support any form of production, routing (gateway), or consumption of illegal narcotics in any form in any country in the world. In the modern day, most of the transactions between drug dealers of various countries take place through electronic currency, Valco Trading has assigned a RED-FLAG for any sort of transaction (above 10,000\$ USD) from/to the above- mentioned Countries. Valco Trading conducts a thorough background verification whenever a RED FLAG is raised.

Environmental Crimes Related to HUMAN TRAFFICKING

The widespread contemporary exploitation of men, women, and children is unacceptable to people of conscience worldwide. Traditional approaches to preventing human trafficking, protecting and assisting trafficked persons, and bringing criminals to justice have had some impact on this global issue, but not enough.

The United Nations Global Initiative to Fight Human Trafficking (UN.GIFT) was born out of a renewed commitment by world leaders to end this crime, one of the most egregious violations of human rights today. Launched in March 2007 by the United Nations Office on Drugs and Crime (UNODC) and made possible by a generous grant from the United Arab Emirates, UN.GIFT is a call to action. It reminds governments, civil society actors, the media, the business community, and concerned individuals of their shared commitment to fight human trafficking, emphasizing that this battle cannot be fought or won alone. As of 4 December 2007, 116 nations had ratified the Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children, providing a common framework for international efforts.

Informed by qualitative and quantitative measures and expert input, the five worst-scoring countries for human trafficking are :

- **Afghanistan:** Most Afghan trafficking victims are children forced to work in carpet making, brick kilns, domestic servitude, sex trafficking (including bacha bazi), domestic work, herding livestock, begging, poppy cultivation and harvesting, salt mining, drug smuggling, weapons trafficking, and truck driving. The trafficking of Afghan children reportedly increased since the Taliban takeover. There have been multiple recent reports of boys being smuggled across **the Iranian and Pakistan** borders and of incidents of sexual violence against them committed by paid 'guides'. In a report on child labor in Afghanistan published in September 2021, the US Department of Labour reported that children were subjected to human trafficking both domestically and internationally and that boys migrating unaccompanied were 'particularly vulnerable to human trafficking,' including for agricultural and construction work. There were reported cases of children being trafficked as a means of paying off their families' debts.

Afghanistan serves as a source of and transit point and destination for human trafficking. Most of the trafficking happens within the country's borders, although some do cross international borders. Men, women, and children are exploited for forced labor in a variety of sectors, including carpet weaving, brick making, domestic servitude, drug cultivation and harvesting, mining and smuggling. The

socio-economic impact of the COVID-19 pandemic, natural disasters, a reduction in international aid and financial sanctions against the Taliban regime have all contributed to an increase in economic hardship and the risk of bonded labour. Boys and men are often trafficked for forced labour in agriculture and construction, particularly to Iran, Pakistan and the Gulf. Boys are also at risk of forced recruitment as child soldiers and of sexual exploitation through Bacha Bazi, a practice in which young boys are sexually exploited by men for entertainment. Forced marriage remains a threat to Afghan women and girls, particularly since the Taliban's takeover. Even those who have fled the country are at risk of exploitation in forced labour markets.

The human smuggling market in Afghanistan is a lucrative industry for criminals and has a negative impact on society. Many Afghans, including professionals and former government employees, are seeking to leave, leading to expanded security measures at neighbouring country borders, in Turkey and in the EU.

- **Eritrea:** Eritrea is a northeast African country on the Red Sea coast. It shares borders with Ethiopia, Sudan, and Djibouti. None of the countries are accused of government-compelled forced labor: in agriculture in **Turkmenistan** and in military service in **Eritrea**. The top five countries with the highest prevalence of modern slavery as of 2018 are. North Korea: 104.6 per 1000 population. **Eritrea:** 93 per 1000 population.
- **Yemen:** Yemen is a country of origin for children, mostly boys, trafficked for forced begging, forced unskilled labor, or forced street vending. Yemeni children are trafficked across the northern border into Saudi Arabia, or to the Yemeni cities of Aden and Sana'a for forced work, primarily as beggars. Yemen remains a Special Case for the seventh consecutive year. The civil conflict and humanitarian crisis in Yemen continued during the reporting period, while the COVID-19 pandemic exacerbated the crisis and further hampered both government and NGO operations.
- **United Arab Emirates :** Women from India, Sri Lanka, Bangladesh, Indonesia, Ethiopia, Eritrea, Sudan, Pakistan, and the Philippines travel willingly to the U.A.E. and Arab states of the Persian Gulf to work as domestic servants, but some subsequently face conditions of involuntary servitude such as excessive work hours without pay, unlawful withholding of passports, restrictions on movement, non-payment of wages, and physical or sexual abuse at the hands of their employers. Ansar Burney Welfare Trust reported in 2001 about thousands of young boys being trafficked from Pakistan and other impoverished, generally Muslim countries, to the UAE. Ansar further claimed that the boys would be

subjected to working as camel jockeys, underfed, on crash diets to reduce weight and less pay.

- **Burundi:** Human trafficking continues to be a significant issue in Burundi, exacerbated by the impact of the COVID-19 pandemic, the regional political and security dynamics within the country and in the wider Great Lakes region, weak and ineffective governance, and the lack of human and financial resources devoted to the issue. The country serves primarily as a source country, with internal human trafficking operations posing a greater threat than transnational operations. Labor and sexual exploitation are widespread, living conditions remain poor, and human rights violations are common. Traffickers often target women and girls, especially for forced labor in the Gulf countries as domestic workers. While some measures have been taken to combat crime, among them the closure of informal recruitment agencies and engagement in diplomatic negotiations with other countries to formalize labor immigration, such measures are open to exploitation by key political figures. The return of large numbers of refugees in recent years has compounded existing vulnerabilities, as both the returnees and those internally displaced remain in need of an income and are often left in situations that can be exploited.

Valco Trading does not support any form of Human trafficking in any form in any country in the world. In the modern day, most of the transactions between the trafficking of various countries take place through electronic currency, Valco Trading has assigned a RED-FLAG for any sort of transaction above 10,000\$ USD) from/to the above-mentioned Countries. Valco Trading conducts a thorough background verification whenever a RED FLAG is raised.