

**MITIGATING THE RISKS OF INTERNATIONAL  
TRADE TRANSACTIONS THROUGH  
EFFECTIVE MONITORING**

**TRADE FINANCE RISK PROFILING**

**ANALYSIS OF THE U.S. TRADE DATA BASE**

**Country Risk Analysis**

**Customs District Risk Analysis**

**Product Risk Analysis**

**Import/Export Price Analysis**

**2009 MID-ATLANTIC ANTI-MONEY LAUNDERING  
CONFERENCE**

**SEPTEMBER 22-24, 2009**

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# **TRADE-BASED MONEY LAUNDERING**

## **INCREASED FOCUS**

**FFIEC – EXAMINATION MANUAL - 2005, 2006, 2007**

**ICE - ESTABLISHMENT OF TRADE TRANSPARENCY UNITS**

**FATF TRADE-BASED MONEY LAUNDERING REPORT - 2006**

**FATF BEST PRACTICES REPORT - 2008**

**IFSA - BAFT – GUIDELINES TRADE SERVICES – 2008**

**WOLFSBERG GROUP TRADE FINANCE PRINCIPLES - 2009**

## Trade-Based Money Laundering

“The process of disguising the proceeds of crime and moving value through the use of trade transactions to legitimize their illicit origins”

Financial Action Task Force - 2006

### **MONEY MOVED OUT OF THE UNITED STATES**

- Under-valued Exports
- Over-valued Imports

### **MONEY MOVED INTO THE UNITED STATES**

- Over-valued Exports
- Under-valued Imports

# UNDER-INVOICED EXPORTS

Move \$1,000,000 from US to Foreign Firm  
Through US Export at Low Price

1. US Firm has \$1 million to move to Foreign Firm
2. US Firm buys 200 gold watches at \$5,000 each (pay \$1,000,000)
3. Sell/Export 200 watches to Foreign Firm at \$5 each



4. The Foreign Firm: Sells 200 gold watches at \$5,000 each = \$1,000,000

# OVER-INVOICED IMPORTS

Move \$1,000,000 from US to Foreign Firm  
Through US Import at High Price

1. US Firm has \$1 million to move to Foreign Firm
2. Foreign Firm buys 10,000 pencils at 10 cents each (\$1,000) locally
3. Foreign Firm sells 10,000 pencils to US Firm at \$100 each



4. US Firm pays \$1,000,000 to Foreign Firm

# Impact of Trade Price Manipulation

- **Under-invoiced Exports**
  - Money laundering from illegal activities
  - Terrorist financing
  - Income tax avoidance/evasion
  - Capital flight
  - Avoid export surcharge
  - Conceal illegal commissions
- **Over-invoiced Exports**
  - Increase export subsidies

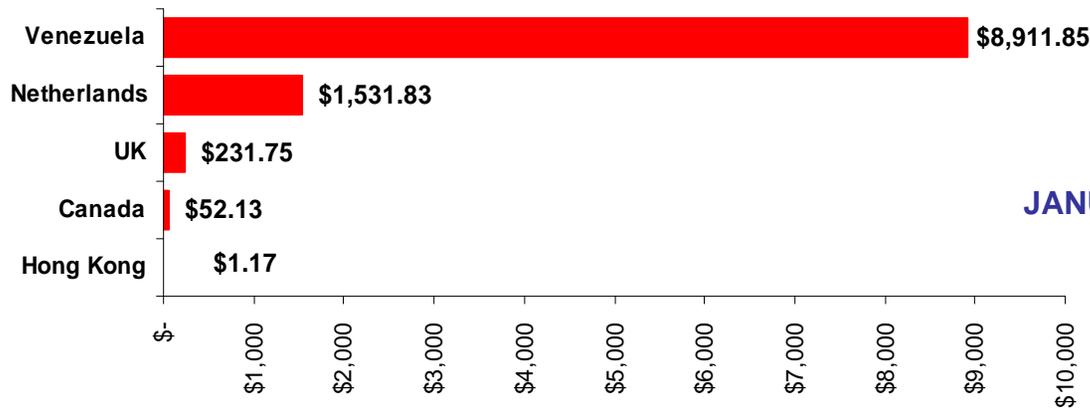
# Impact of Trade Price Manipulation

- **Over-invoiced Imports**
  - Money laundering from illegal activities
  - Terrorist financing
  - Income tax avoidance/evasion
  - Capital flight
  - Justify excessive high domestic prices under price control
  - Conceal illegal commissions
- **Under-invoiced Imports**
  - Avoid/Reduce import duties
  - Dumping at below market prices

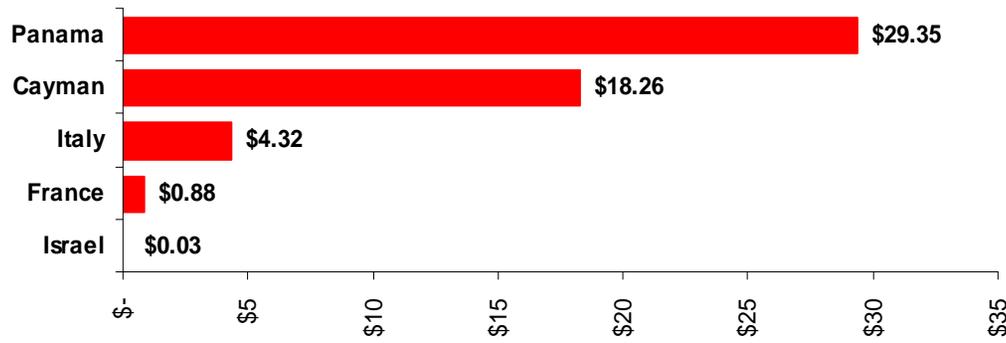
# High and low unit prices for three imported products

JANUARY 1992 / MONEY LAUNDERING ALERT

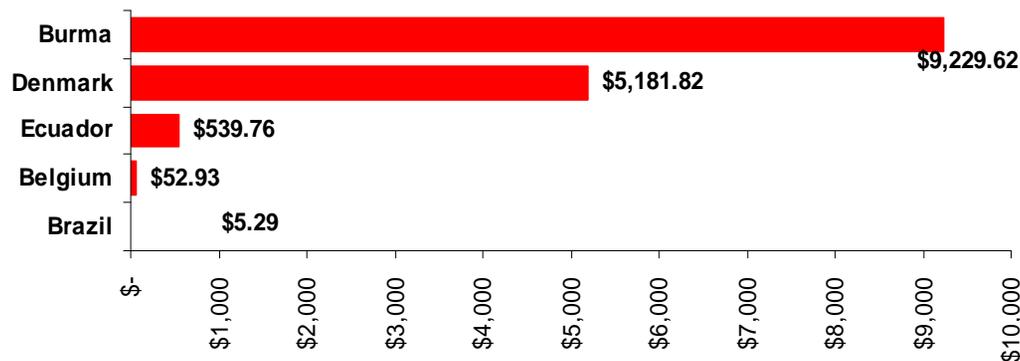
Stainless Steel Sinks and Wash Basins (price per unit)

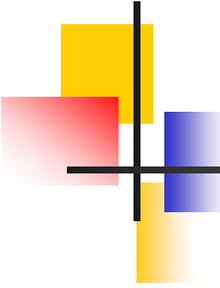


Razors (price per unit)



Cut Emeralds (price per carat)

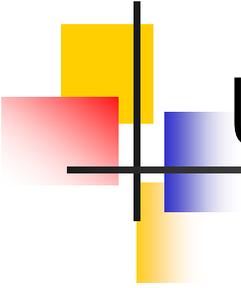




# U.S. Imports At High Average Price

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<u>COMMODITY</u>	<u>COUNTRY</u>	<u>COUNTRY AVERAGE PRICE</u>	<u>WORLD AVERAGE PRICE</u>
Untrimmed Pillowcases (#)	France	909.29	.62
Unrecorded Mag. Discs (#)	Spain	698.16	.43
Sand (Ton)	Spain	1,993.67	11.20
Flashbulbs (#)	France	321.90	.66
Balls For Ball Point Pens(#)	France	1.43	.007
Single Edge Razor Blades (#)	France	5.33	.04
Cordless Telephones (#)	France	4,232.50	47.65
Raw Cane Sugar (Kg)	U.K.	1,407.00	.50
Slip Joint Pliers (#)	U.K.	489.75	.88



# U.S. Exports At Low Average Prices

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<u>COMMODITY</u>	<u>COUNTRY</u>	<u>COUNTRY AVERAGE PRICE</u>	<u>WORLD AVERAGE PRICE</u>
HERRING-BONE TIRES (#)	FRANCE	7.69	192.25
ENRICHED 235 URANIUM (KG)	SPAIN	15.50	172.22
MACHINE GUNS (#)	FRANCE	364.08	2,022.67
MILITARY RIFLES (#)	U.K.	106.87	387.55

# Money Laundered Out of the United States

## Undervalued U.S. Exports

Product	Country	U.S.C.D.	Month	Price
Bulldozers (New)	Venez.	Norfolk	5	\$387.73/unit
Rocket / Grenade Launchers	Venez.	Miami	10	\$59.50/unit
Prefabricated Buildings	Haiti	Miami	12	\$2.12/unit
Forklift Trucks	Haiti	Miami	2	\$555.73/unit
New Tires	Russia	Seattle	11	\$3.97/unit
Color Video Monitors	Russia	New York	2	\$28.99/unit

# Money Laundered Out of the United States

## Overvalued U.S. Imports

Product	Country	U.S.C.D.	Month	Price
Oats	Venez.	New York	5	\$142.87/ Kg
Women's Cotton Briefs	Venez.	Miami	3	\$50/unit
Used Clothing	Haiti	LA	3	\$260/Kg.
Slide Projectors	Haiti	Savannah	5	\$8,620/unit
Binoculars	Russia	San Fran.	6	\$3,395/unit
Emeralds	Russia	New York	7	\$17,976/car

# MONEY MOVED OUT OF THE UNITED STATES TO THE WORLD 2004-2006

**2004**

UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
\$111,593,487,257	\$56,167,170,400	\$167,760,657,657	7.34%

**2005**

UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
\$129,141,799,287	\$62,806,778,514	\$191,948,577,801	7.45%

**2006**

UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
\$119,755,537,632	\$69,297,773,741	\$189,053,311,373	6.54%

# UNITED STATES V. TEI-FU CHEN, ET AL (SUNRIDER CORPORATION)

- GEORGE NEWHOUSE – ASSISTANT US ATTORNEY
- CENTRAL DISTRICT OF CALIFORNIA
- OVER-INVOICED IMPORTS FROM FAR EAST
- IMPORTED HERBS AND SPICES
- REVISED IMPORTS TO AVOID INCOME TAX
- PAID HIGHER IMPORT DUTIES
- “STEPPING OVER A DIME TO PICK UP A DOLLAR”
- TEI-FU CHEN – TWO YEAR PRISON SENTENCE
- OI-LIN CHEN (WIFE) – PROBATION
- IRS - \$93,000,000 – TAXES AND PENALTIES
- CUSTOMS - \$ 4,000,000 – PENALTY
- NO SPECIFIED UNLAWFUL ACTIVITY

TABLE 3-1

## 1990 Imports of "Other Mushrooms" by All Other US Importers

(HTSUSA=0712302000,KG) from China(Taiwan)

	Entry No.	Line No.	Date	Qty (KG)	Line Value	Price per KG	
1	EntryNo....	001	900511	910	\$3,576	\$3.93	<i>minimum price</i>
2	EntryNo....	001	901016	2,939	\$21,222	\$7.22	
3	EntryNo....	003	900129	1,701	\$14,870	\$8.74	
4	EntryNo....	003	900827	227	\$2,160	\$9.52	
5	EntryNo....	009	900810	1,288	\$13,202	\$10.25	
6	EntryNo....	001	900606	1,588	\$17,350	\$10.93	
7	EntryNo....	001	901213	98	\$1,146	\$11.69	
8	EntryNo....	001	900918	1,165	\$16,400	\$14.08	
9	EntryNo....	001	900313	3,685	\$59,138	\$16.05	
10	EntryNo....	001	900430	3,685	\$59,293	\$16.09	
11	EntryNo....	001	900424	454	\$7,700	\$16.96	<i>lower quartile price</i>
12	EntryNo....	001	900612	680	\$12,300	\$18.09	
13	EntryNo....	001	901227	320	\$8,000	\$25.00	
14	EntryNo....	001	900604	55	\$1,635	\$29.73	
15	EntryNo....	001	900126	2,703	\$86,360	\$31.95	
16	EntryNo....	001	901203	100	\$3,200	\$32.00	
17	EntryNo....	001	900207	2,613	\$89,222	\$34.15	
18	EntryNo....	001	900207	2,871	\$99,502	\$34.66	
19	EntryNo....	001	900314	2,830	\$98,612	\$34.85	
20	EntryNo....	001	900515	1,388	\$48,520	\$34.96	
21	EntryNo....	001	900517	2,703	\$94,525	\$34.97	<i>median price</i>

*Continued ...*

TABLE 3-1

## 1990 Imports of "Other Mushrooms" by All Other US Importers

(HTSUSA=0712302000,KG) from China(Taiwan)

	Entry No.	Line No.	Date	Qty (KG)	Line Value	Price per KG	
21	EntryNo....	001	900517	2,703	\$94,525	\$34.97	<i>median price</i>
22	EntryNo....	001	900212	2,703	\$94,526	\$34.97	
23	EntryNo....	001	900326	2,703	\$94,526	\$34.97	
24	EntryNo....	001	900906	2,703	\$95,002	\$35.15	
25	EntryNo....	001	901009	2,703	\$95,002	\$35.15	
26	EntryNo....	001	900802	272	\$9,564	\$35.16	
27	EntryNo....	001	900723	2,695	\$94,880	\$35.21	
28	EntryNo....	001	900815	1,207	\$42,560	\$35.26	
29	EntryNo....	001	900829	1,207	\$42,560	\$35.26	
30	EntryNo....	001	901001	1,207	\$42,560	\$35.26	
31	EntryNo....	001	901011	1,207	\$42,560	\$35.26	<i>upper quartile price</i>
32	EntryNo....	001	901024	1,207	\$42,560	\$35.26	
33	EntryNo....	001	901217	1,207	\$42,560	\$35.26	
34	EntryNo....	001	900830	1,207	\$42,560	\$35.26	
35	EntryNo....	001	900322	2,762	\$97,542	\$35.32	
36	EntryNo....	001	900409	2,776	\$99,099	\$35.70	
37	EntryNo....	001	900228	1,207	\$43,491	\$36.03	
38	EntryNo....	001	900320	2,703	\$97,446	\$36.05	
39	EntryNo....	001	901001	2,400	\$87,389	\$36.41	
40	EntryNo....	001	900312	91	\$3,368	\$37.01	
41	EntryNo....	001	900709	91	\$3,370	\$37.03	<i>maximum price</i>
	TOTAL			68,261	\$1,971,058	\$28.88	<i>average price</i>

## 0712302000 OTHER MUSHROOMS [KG]

REFERENCE PRICES OF US-TAIWAN TRANSACTIONS  
EXCLUDING DEFENDANT'S TRANSACTIONS BY YEAR

	<b>1989</b>	<b>1990</b>	<b>1991</b>
Highest	\$41.90	\$37.03	\$39.70
<b>Upper Quartile</b>	<b>\$33.03</b>	<b>\$35.26</b>	<b>\$35.38</b>
Median	\$31.95	\$34.97	\$26.42
Average	\$27.88	\$28.88	\$20.85
Lower Quartile	\$29.19	\$16.96	\$6.50
Lowest	\$1.23	\$3.93	\$3.37

# Chart 4: Other mushrooms

TSUSA: 0712302000(KG) CHINA(TAIWAN)

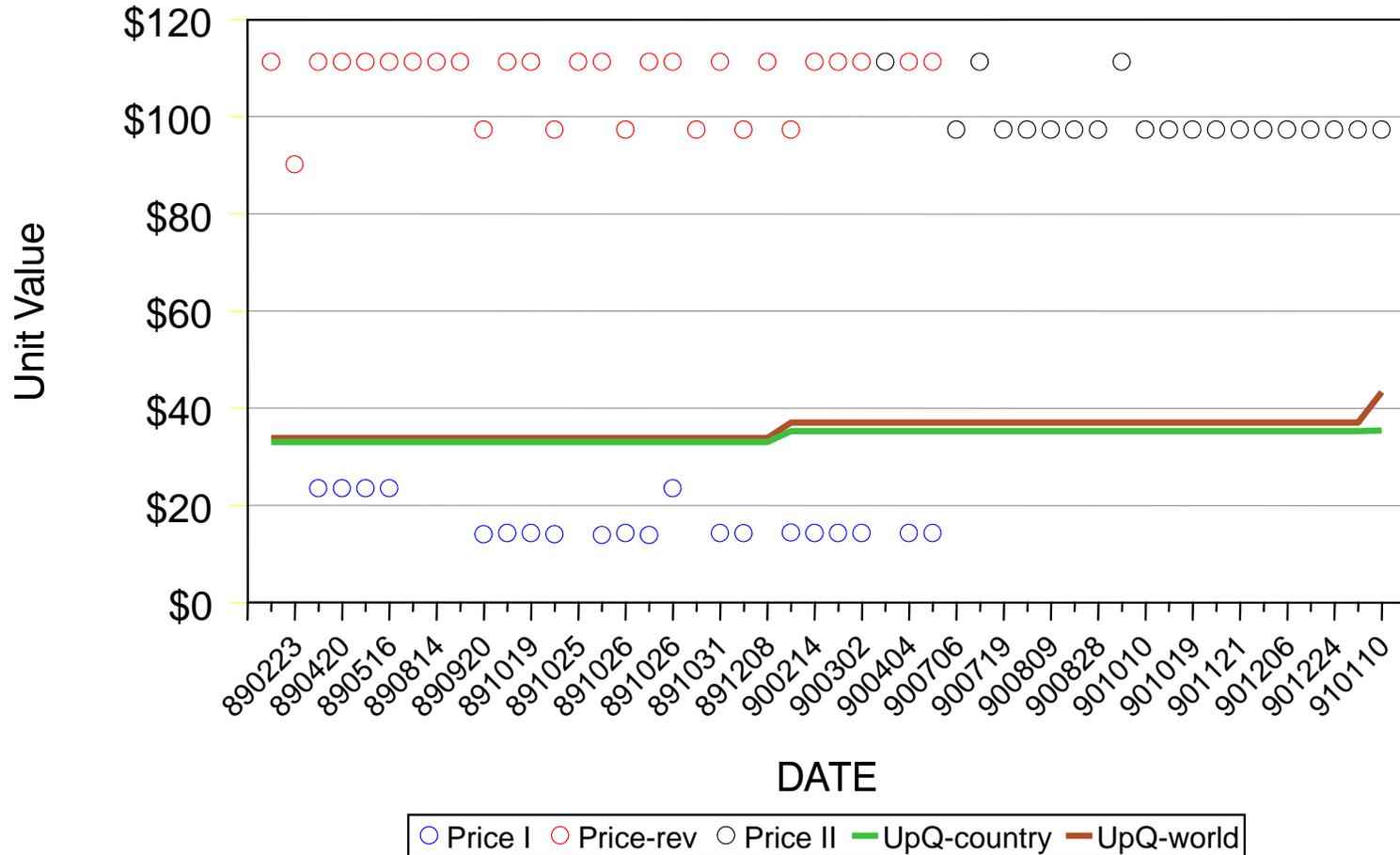


Chart 5-1: Proportion of Imports with Prices Higher Than  
Country Upper Quartile Prices

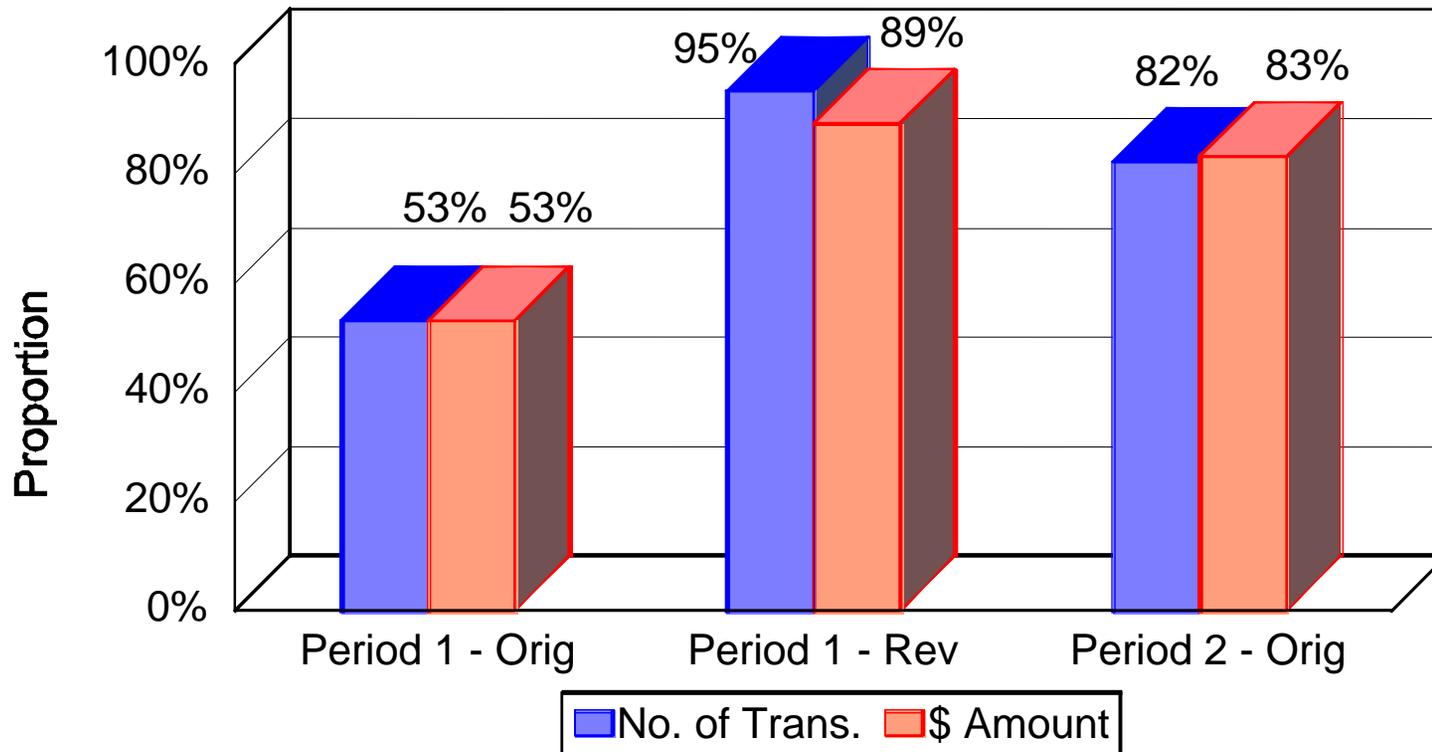
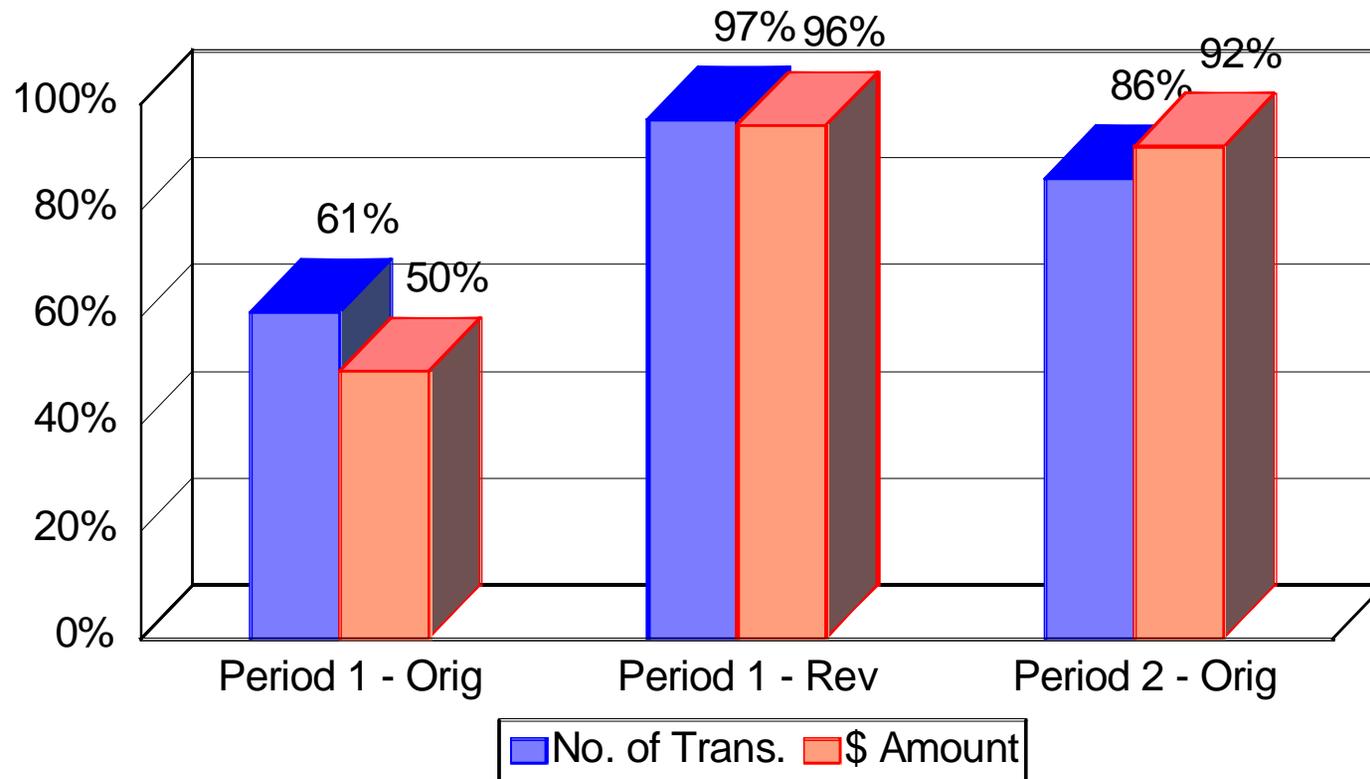


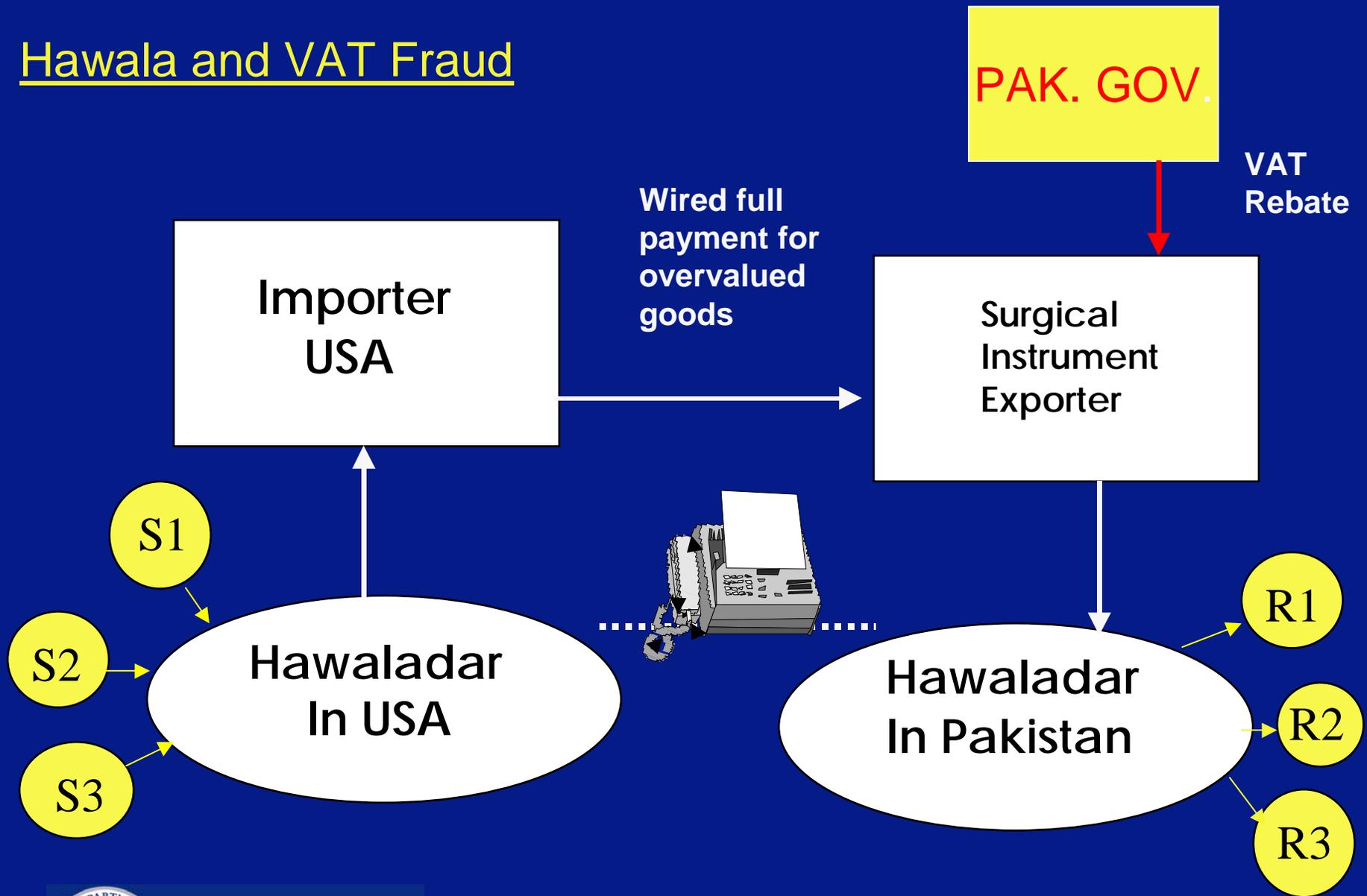
Chart 5-2: Proportion of Imports with Prices Higher Than World Upper Quartile Prices



# UNITED STATES V. SHAKLEE AHMAD, ET AL

- JOHN P ROWLEY- ASST. US ATTORNEY
- EASTERN DISTRICT OF VIRGINIA -1994
- OVER-INVOICING – MEDICAL INSTRUMENTS
- IMPORTS FROM PAKISTAN
- IMPORTER – FALCON INSTRUMENTS
- SUA – FALSE STATEMENTS TO CUSTOMS
- INCOME TAX EVASION

# Hawala and VAT Fraud



U.S. Immigration  
and Customs  
Enforcement

**MONEY MOVED**  
**OUT OF U.S. - 2004**  
**INTO U.S. - 2004**

**COUNTRY - DOLLAR VALUE**  
**COUNTRY - PERCENT OF TRADE**

**U.S. CUSTOMS DISTRICT - DOLLAR VALUE**  
**U.S. CUSTOMS DISTRICT - PERCENT OF TRADE**

## MONEY MOVED OUT OF THE UNITED STATES 2004 TO THE WORLD

SUSPICIOUS PRICING	DOLLAR VALUE	PERCENT
UNDER-VALUED EXPORTS	\$ 111.6 Billion	66.5%
OVER-VALUED IMPORTS	\$ 56.2 Billion	33.5%
<b>TOTAL</b>	<b>\$ 167.8 Billion</b>	<b>100%</b>

## MONEY MOVED INTO THE UNITED STATES 2004 FROM THE WORLD

SUSPICIOUS PRICING	DOLLAR VALUE	PERCENT
OVER-VALUED EXPORTS	\$ 48.1 Billion	21.5%
UNDER-VALUED IMPORTS	\$ 175.2 Billion	78.5%
<b>TOTAL</b>	<b>\$ 223.3 Billion</b>	<b>100%</b>

# MONEY MOVED OUT OF THE U.S. - COUNTRY DOLLAR VALUE (2004)

Obs	COUNTRY	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	CANADA	\$11,039,683,286	\$7,256,738,049	\$18,296,421,335	4.12%
2	JAPAN	\$8,151,814,635	\$5,974,212,167	\$14,126,026,802	7.68%
3	CHINA	\$6,007,716,795	\$7,800,914,990	\$13,808,631,785	5.97%
4	MEXICO	\$8,785,360,653	\$4,192,936,064	\$12,978,296,718	4.87%
5	FR GERM	\$6,407,989,714	\$5,433,984,370	\$11,841,974,084	10.90%
6	U KING	\$7,594,995,153	\$2,484,349,794	\$10,079,344,947	12.24%
7	KOR REP	\$5,816,253,001	\$1,425,414,117	\$7,241,667,118	9.99%
8	FRANCE	\$3,897,833,867	\$1,625,064,324	\$5,522,898,191	10.41%
9	TAIWAN	\$3,094,430,949	\$1,698,479,949	\$4,792,910,898	8.51%
10	SINGAPR	\$3,636,170,934	\$713,527,417	\$4,349,698,351	12.46%
11	PHIL R	\$3,398,036,934	\$512,074,712	\$3,910,111,646	24.11%
12	MALAYSA	\$2,317,172,101	\$1,201,554,685	\$3,518,726,786	9.00%
13	BELGIUM	\$3,126,261,045	\$345,127,901	\$3,471,388,946	11.84%
14	IRELAND	\$1,129,283,725	\$2,266,965,110	\$3,396,248,835	9.54%
15	HG KONG	\$2,937,782,192	\$347,808,479	\$3,285,590,672	13.08%

## MONEY MOVED OUT OF THE U.S. - COUNTRY % TRADE (2004)

Obs	COUNTRY	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	AZERBJN	\$528,389,802	\$157,416	\$528,547,218	268.54%
2	YUGOSLV	\$169,598,049	\$741,061	\$170,339,110	72.49%
3	IRAN	\$152,952,617	\$12,628,410	\$165,581,027	70.03%
4	CUBA	\$247,970,745	.	\$247,970,745	61.91%
5	KAZAKHS	\$291,952,547	\$7,378,273	\$299,330,820	34.90%
6	BULGAR	\$214,509,017	\$14,467,039	\$228,976,056	33.72%
7	ESTONIA	\$156,854,211	\$9,510,139	\$166,364,350	31.52%
8	DENMARK	\$1,451,172,673	\$432,241,119	\$1,883,413,791	31.26%
9	BARBADO	\$99,437,204	\$820,250	\$100,257,454	26.08%
10	PHIL R	\$3,398,036,934	\$512,074,712	\$3,910,111,646	24.11%
11	ANTIGUA	\$31,027,519	\$1,270	\$31,028,789	23.94%
12	LIBERIA	\$813,897	\$33,439,992	\$34,253,890	23.64%
13	B VIRGN	\$24,263,203	\$13,856	\$24,277,059	21.11%
14	AFGHAN	\$38,156,092	\$96,595	\$38,252,686	20.95%
15	ANDORRA	\$2,416,758	\$21,034	\$2,437,792	19.44%

**ABNORMAL**

**IMPORT**

**WEIGHTS**

## ABNORMAL IMPORT WEIGHTS - 2001

<u>COUNTRY</u>	<u>PRODUCT</u>	<u>MONTH</u>	<u>U.S.C.D.</u>	<u>WEIGHT</u>
Egypt	Razors	AUG	New York	15 Kg/Unit
Indonesia	Coffee	OCT	San Francisco	1.26 Kg/Kg
Iran	Carpet	NOV	San Francisco	63 Kg/Sq Meter
Malaysia	Briefcases	MAY	San Francisco	98 Kg/Unit
Pakistan	Fabric	DEC	Los Angeles	62 Kg/Sq Meter
Russia	Binoculars	AUG	Los Angeles	120 Kg/Unit
France	Footwear	JUL	Philadelphia	46 Kg/Pair
Germany	Sweaters	APR	New York	57 Kg/Dozen

## ABNORMAL IMPORT WEIGHTS – 2003 & 2004

<u>COUNTRY</u>	<u>PRODUCT</u>	<u>MONTH</u>	<u>U.S.C.D.</u>	<u>WEIGHT</u>
Egypt	Tape	MAR 04	New York	3 Kg/Sq Meter
Indonesia	Pillows	MAR 03	Los Angeles	55 Kg/Unit
Iran	Carpet	JAN 04	Baltimore	10 Kg/Sq Meter
Pakistan	Towels	AUG 03	Charleston	2 Kg/Unit
Russia	Magnesium	JAN 03	New York	1,042 Kg/Kg
France	Travel Bags	JAN 04	Miami	38 Kg/Unit
Germany	Travel Bags	FEB 03	New Orleans	56 Kg/Unit

**TRADE-BASED MONEY LAUNDERING**

**TRADE FINANCING**

**RISK MITIGATION**

**BANK SECRECY ACT / ANTI-MONEY LAUNDERING  
EXAMINATION MANUAL**

**REVISED 8/24/2007**

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL**

**BOARD OF GOVERNORS – FEDERAL RESERVE SYSTEM**

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**NATIONAL CREDIT UNION ADMINISTRATION**

**OFFICE OF COMPTROLLER OF THE CURRENCY**

**OFFICE OF THRIFT SUPERVISION**

# **ELEVEN RED FLAGS**

## **KNOW YOUR CUSTOMER AND** **TRANSACTIONS**

- Products inconsistent with customer's business
- Transaction structure unnecessarily complex
- Payment of proceeds to unrelated third party
- Locations or descriptions inconsistent with LC
- Significantly amended letter of credit

# **ELEVEN RED FLAGS – CONTINUED**

## **ANALYSIS OF U.S. TRADE DATA**

- Conducting business in high-risk jurisdictions
- Shipping products through high-risk jurisdictions
- Transaction in high-risk products
- Misrepresentation of quantity & type of products
- Invoice inconsistent with Customs documents
- Obvious over- or under-pricing of products

**GENERIC**  
**CHARACTER-BASED AUDITS**

**CURRENT PROCEDURES**

**CUSTOMER DUE DILIGENCE**  
**KNOW YOUR CUSTOMER**

**OFAC LISTS**

**PEP LISTS**

**CORRUPTION INDEX LIST**

# CHARACTER-BASED AUDITS

## TRADE DATA ANALYSIS

**COUNTRY RISK INDEX**  
**CUSTOMS DISTRICT RISK INDEX**  
**PRODUCT RISK INDEX**

**COUNTRY  
RISK INDEX  
2006**

**TRADE-BASED  
RISK ANALYSIS OF 222 COUNTRIES**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. - COUNTRY % TRADE (2006)

Obs	COUNTRY	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	PITCARN	\$5,430,413	.	\$5,430,413	369.29%
2	ESTONIA	\$448,520,594	\$1,494,751	\$450,015,345	60.18%
3	AFGHAN	\$186,821,079	\$362,306	\$187,183,385	40.43%
4	TOKELAU	\$16,814,506	\$16,875	\$16,831,381	33.78%
5	FAROE	\$1,526,714	\$45,426	\$1,572,140	19.57%
6	C RICA	\$1,445,824,661	\$78,682,399	\$1,524,507,060	19.11%
7	HG KONG	\$4,123,850,325	\$320,994,681	\$4,444,845,006	17.28%
8	DENMARK	\$373,945,248	\$771,122,492	\$1,145,067,740	14.66%
9	BOTSWAN	\$599,984	\$38,206,181	\$38,806,165	13.91%
10	BULGAR	\$89,361,097	\$11,102,033	\$100,463,130	13.37%
11	S LUCIA	\$22,841,492	\$399,928	\$23,241,420	12.80%
12	QATAR	\$202,814,448	\$162,612	\$202,977,060	12.74%
13	ST K N	\$22,040,203	\$484,661	\$22,524,865	12.70%
14	UGANDA	\$8,472,221	\$351,765	\$8,823,986	11.77%
15	SWITZLD	\$2,157,428,386	\$1,144,059,238	\$3,301,487,624	11.54%

**U.S. CUSTOMS DISTRICT  
RISK INDEX  
2006**

**TRADE-BASED  
RISK ANALYSIS OF 45 U.S.  
CUSTOMS DISTRICTS**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. - CUSTOMS DISTRICT % TRADE (2006)

Obs	CUSTOMS DIST	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	VESSELS	\$10,440,522	\$62,203	\$10,502,725	12.65%
2	NORFOLK	\$4,366,882,223	\$1,186,220,163	\$5,553,102,386	12.49%
3	WASH DC	\$1,135,910,310	\$237,210,543	\$1,373,120,853	10.98%
4	CLEVLND	\$3,723,789,413	\$3,774,890,944	\$7,498,680,356	9.67%
5	ALASKA	\$1,981,926,506	\$500,164,352	\$2,482,090,858	9.35%
6	WILM NC	\$489,857,335	\$1,224,482,864	\$1,714,340,199	9.20%
7	MIAMI	\$5,457,244,652	\$1,172,529,595	\$6,629,774,247	9.20%
8	P RICO	\$1,912,460,747	\$1,045,689,699	\$2,958,150,446	9.09%
9	SAVANNH	\$4,555,773,333	\$2,808,081,132	\$7,363,854,466	8.93%
10	MINNPLS	\$352,484,563	\$937,729,699	\$1,290,214,261	8.88%
11	DALLAS	\$3,013,005,092	\$2,053,358,044	\$5,066,363,136	8.69%
12	CHICAGO	\$4,694,399,341	\$5,557,520,573	\$10,251,919,914	8.50%
13	SAN FRN	\$6,262,545,997	\$3,092,980,638	\$9,355,526,635	8.42%
14	BOSTON	\$1,381,013,743	\$1,297,384,689	\$2,678,398,433	8.05%
15	LOS ANG	\$18,087,424,830	\$5,272,017,132	\$23,359,441,961	7.09%

**PRODUCT  
RISK INDEX  
2006**

**TRADE-BASED  
RISK ANALYSIS OF 4,758 PRODUCTS  
(6 digit harmonized codes)**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. – PRODUCT PERCENT OF TRADE (2006)

Obj	DESCRIPTION	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	CARTRIDGES FOR RIVETING OR SIMILAR TOOLS & PARTS	\$416,426,777	2756.98%
2	IODIDES AND IODIDE OXIDES	\$529,245,774	1500.75%
3	PHOTO PLATES & FILM, EXPOS & DEVL, FOR OFFSET REPRO	\$165,778,813	747.94%
4	MECHANISMS FOR MUSIC BOXES	\$6,653,673	694.50%
5	OPTICAL FIBERS, OPTICAL FIBER BUNDLES AND CABLES E	\$1,956,532,697	627.56%
6	RARE-EARTH METAL, SCANDIUM & YTTRIUM	\$79,794,777	605.30%
7	CADMIUM AND ARTICLES THEREOF, NESOI	\$13,184,553	459.90%
8	RADIOACTIVE ELEMENTS & ISOTOPES ETC NESOI; RESIDUE	\$1,617,767,386	416.36%
9	RECORDED MEDIA FOR REPRODUCING SND OR IMAGE, NESOI	\$1,567,385,322	388.22%
10	UNRECORDED, CARDS INCORPORATING A MAGNETIC STRIPE	\$213,685,706	384.93%
11	FORMIC ACID	\$59,890,154	377.94%
12	DIELECTRIC FIXED CAPACITORS OF PAPER OR PLASTICS	\$523,967,404	277.96%
13	UNSAT CHLORIN DERIV OF ACYCLIC HYDROCARBONS NESOI	\$62,813,577	257.24%
14	FIXED RESISTORS, NESOI, PWR HAND CAP NOV 20 W	\$1,241,694,299	250.67%
15	SALT OF INORGANIC ACID/PEROXOACID, EXC AZIDE NESOI	\$86,570,802	226.22%
16	PEN NIBS AND NIB POINTS	\$73,429,037	197.32%
17	PHOSPHINATES (HYPOPHOSPHITES) & PHOSPHONATES	\$33,808,292	180.02%
18	HYDRIDS/NITRIDS/AZIDS/SILICIDS ETC W/NT CHEM DEFND	\$312,245,013	174.33%
19	ELECTRICAL INSULATORS OF GLASS	\$57,288,622	154.24%
20	TUBES, PIPES & HOSES, NT REINF ETC, WITH FITTINGS	\$178,460,024	148.50%

**COUNTRY  
RISK INDEX  
2008**

**TRADE-BASED  
RISK ANALYSIS OF 222 COUNTRIES**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. - COUNTRY % TRADE (2008)

Obs	COUNTRY	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	KAZAKHS	\$1,448,933,547	\$15,094,672	\$1,464,028,219	56.55%
2	SRI LKA	\$348,103,544	\$70,924,347	\$419,027,892	18.67%
3	DENMARK	\$373,602,775	\$915,625,683	\$1,289,228,458	14.16%
4	ARAB EM	\$2,005,295,456	\$44,316,194	\$2,049,611,649	12.03%
5	INDIA	\$3,517,338,020	\$1,733,308,248	\$5,250,646,268	11.82%
6	TURKEY	\$1,614,958,081	\$136,029,911	\$1,750,987,992	11.61%
7	ZAMBIA	\$14,205,151	\$888,291	\$15,093,442	11.60%
8	LIBERIA	\$10,898,527	\$23,218,743	\$34,117,270	11.37%
9	TNZANIA	\$17,916,086	\$7,025,044	\$24,941,130	11.08%
10	AFGHAN	\$58,932,540	\$1,795,454	\$60,727,994	10.72%
11	FR GERM	\$8,220,220,722	\$8,004,222,495	\$16,224,443,217	10.65%
12	HG KONG	\$2,453,242,987	\$379,788,930	\$2,833,031,917	10.08%
13	G BISAU	\$207,272	.	\$207,272	9.25%
14	TAIWAN	\$2,735,638,706	\$2,750,517,940	\$5,486,156,646	8.91%
15	NETHLDS	\$4,277,663,260	\$1,098,340,064	\$5,376,003,324	8.76%

**U.S. CUSTOMS DISTRICT  
RISK INDEX  
2008**

**TRADE-BASED  
RISK ANALYSIS OF 45 U.S.  
CUSTOMS DISTRICTS**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. - CUSTOMS DISTRICT % TRADE (2008)

Obs	CUSTOMS DIST	UNDER-VALUED EXPORTS	OVER-VALUED IMPORTS	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	ALASKA	\$2,733,274,079	\$520,072,224	\$3,253,346,303	13.40%
2	NORFOLK	\$5,459,090,500	\$1,489,656,987	\$6,948,747,487	12.55%
3	CLEVLND	\$2,991,437,283	\$7,271,447,048	\$10,262,884,331	10.90%
4	WILM NC	\$583,050,855	\$1,060,349,204	\$1,643,400,059	8.88%
5	DALLAS	\$2,912,677,920	\$2,149,089,553	\$5,061,767,474	8.87%
6	BOSTON	\$1,875,040,225	\$1,339,833,962	\$3,214,874,187	8.85%
7	SAVANNH	\$4,949,388,892	\$3,120,045,107	\$8,069,434,000	7.97%
8	MILWAUK	\$29,966,856	\$70,410,752	\$100,377,608	7.92%
9	SAN FRN	\$4,833,053,766	\$3,966,873,692	\$8,799,927,458	7.63%
10	BALT	\$2,048,527,796	\$1,402,987,232	\$3,451,515,028	7.22%
11	CHRLSTN	\$2,403,618,782	\$1,802,929,108	\$4,206,547,890	7.15%
12	CHICAGO	\$4,452,071,443	\$6,298,960,853	\$10,751,032,296	6.99%
13	WASH DC	\$579,273,461	\$435,552,547	\$1,014,826,008	6.99%
14	ST LOUI	\$304,120,821	\$770,504,338	\$1,074,625,158	6.93%
15	MIAMI	\$4,412,320,821	\$1,288,605,499	\$5,700,926,320	6.32%

**PRODUCT  
RISK INDEX  
2008**

**TRADE-BASED  
RISK ANALYSIS OF 4,758 PRODUCTS  
(6 digit harmonized codes)**

**UPDATED MONTHLY**

**[www.internationaltradealert.com](http://www.internationaltradealert.com)**

# MONEY MOVED OUT OF THE U.S. – PRODUCT PERCENT OF TRADE (2008)

Obj	DESCRIPTION	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
1	ALLOY PIG IRON; SPIEGELEISEN, IN PRIMARY FORMS	\$86,687,110.63	3749.81%
2	PHOTO PLATES & FILM, EXPOS & DEVL, FOR OFFSET REPRO	\$27,525,311.98	985.88%
3	RARE-EARTH METAL, SCANDIUM & YTTRIUM	\$152,612,232.76	623.95%
4	VARIABLE OR ADJUSTABLE (PRE-SET) CAPACITORS	\$382,100,176.62	612.34%
5	GLUTAMIC ACID AND ITS SALTS	\$258,922,575.93	470.07%
6	IODIDES AND IODIDE OXIDES	\$177,299,047.32	367.42%
7	SKI SUITS, KNITTED OR CROCHETED	\$4,084,409.12	360.73%
8	SEEDS HERBACEOUS PLANTS PRNCLY FLOWERS, FOR SOWNG	\$293,001,774.58	255.85%
9	EDIBLE FATS & OIL MIXTURES & PREPAR NESOI, ETC	\$1,085,558,960.49	244.50%
10	SYN OR RECONST PREC OR SEMIPREC STONES NESOI, WRKD	\$213,578,930.84	244.05%
11	INGOT MOLDS & LADLES USED IN METAL FOUNDRIES	\$105,749,827.85	242.58%
12	COMPOUNDS, INORG/ORGANIC, OF MERCURY, EXC AMALGAMS	\$14,924,727.28	223.04%
13	ALDEHYDE-ETHERS, ALDEHYDE-PHENOLS ETC NESOI	\$39,597,417.94	218.14%
14	RADIOACTIVE ELEMENTS & ISOTOPES ETC NESOI; RESIDUE	\$896,896,304.08	197.81%
15	MARBLE AND TRAVERTINE CUT IN BLOCKS OR SLABS	\$17,229,087.12	189.97%

# TRANSACTION-BASED AUDITS

**PRODUCTS TRADED ON EXCHANGES**  
**COMPARE PRICE TO SPOT PRICES**

**PRODUCTS NOT TRADED ON  
EXCHANGES**

**STATISTICAL ANALYSIS OF  
U.S. TRADE DATA BASE**

**INTERNATIONAL PRICE PROFILING  
SYSTEM**

**WEB – BASED**

**INTERNATIONAL PRICE PROFILING  
SYSTEM  
(IPPS)**

[www.internationaltradealert.com](http://www.internationaltradealert.com)

## PROBLEMS WITH DETERMINING MARKET PRICES

**OVER 6 MILLION PRODUCT-COUNTRY  
COMBINATIONS**

**PRICE RANGES CHANGE OVER TIME**

**NO INDIVIDUAL IS AN EXPERT IN ALL PRODUCTS**

**BANKS WILL NEED TO DEVELOP STATISTICAL  
ANALYSIS OF HISTORICAL TRADE PRICING**

# Statistical Approach in Audits/Inspection

- Determine the benchmark upper and lower bounds of prices
  - Based on statistical analysis of historical prices (12 Months)
  - For each commodity category
  - For each country
  - For the world
  - Update monthly
- Detect transactions with prices outside the benchmark prices
  - Higher probability of being abnormal than the population

# DATA

Based on the US Export and Import data produced by the US Dept. of Commerce, Bureau of Census

- 4.25 million records – for US Exports (2005)
- 5.85 million records – for US Imports (2005)
- 8,988 – 10 digit harmonized commodity codes for Exports
- 17,757 – 10 digit harmonized commodity codes for Imports
- 231 – Countries
- 44 – US Customs District

## RESEARCH METHODOLOGY

### International Price Profiling System (IPPS):

For each commodity code and the world:

For each commodity code and each country:

The Median Price and the Mean Price

Upper bound = 95<sup>th</sup> Percentile and Mean + 2 Standard Deviations

Lower bound = 5<sup>th</sup> Percentile and Mean – 2 Standard Deviations

Total Number of country/commodity combinations in 2005

$$= (8,988 + 17,757) \times (231+1) = 6.2 \text{ million combinations}$$

Updated Monthly – Database: Prior 12 Months of Trade Data

## TRADE PRICE RISK INDEX

<u>Risk Index</u>	<u>Analysis</u>	<u>Interpretation of Risk Index</u>
-4	Violates 4 Price Filters	\$ Out - Very Extreme Indication
-3	Violates 3 Price Filters	\$ Out - Extreme Indication
-2	Violates 2 Price Filters	\$ Out - Moderate Indication
-1	Violates 1 Price Filter	\$ Out - Slight Indication
0	Violates 0 Price Filters	No Risk of \$ Moved Out or In
+1	Violates 1 Price Filter	\$ In - Slight Indication
+2	Violates 2 Price Filters	\$ In - Moderate Indication
+3	Violates 3 Price Filters	\$ In - Extreme Indication
+4	Violates 4 Price Filters	\$ In - Very Extreme Indication

## Example 1:

US Exports of Tomato Ketchup to Kuwait

Select Export and type code or keyword

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

Export  Import

Commodity Code / Product Description keyword:

Select EXPORT or IMPORT

Enter any part of the 10-digit commodity code or keyword/s used in the product description (this search is not case sensitive)

Select commodity

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

[New Search](#)

Data Source: US EXPORT

Submit

COMMODITY	DESCRIPTION	UNIT
<input type="radio"/> 0702000010	CHERRY TOMATOES, FRESH OR CHILLED	KG
<input type="radio"/> 0702000030	ROMA (PLUM TYPE) TOMATOES, FRESH OR CHILLED	KG
<input type="radio"/> 0702000050	TOMATOES, FRESH OR CHILLED, NESOI	KG
<input type="radio"/> 1209918070	TOMATO SEEDS FOR SOWING	KG
<input type="radio"/> 2002100000	TOMATOES, WHOLE OR IN PIECES, PREPARED OR PRESERVED OTHERWISE THAN BY VINEGAR OR ACETIC ACID	KG
<input type="radio"/> 2002900060	TOMATO PASTE	KG
<input type="radio"/> 2002900050	TOMATOES, NESOI, (INCLUDING TOMATO PUREE) PREPARED OR PRESERVED OTHERWISE THAN BY VINEGAR OR ACETIC ACID	KG
<input type="radio"/> 2009500000	TOMATO JUICE (DRY WEIGHT CONTENT LESS THAN 7%)	L
<input checked="" type="radio"/> 2103202000	TOMATO KETCHUP	KG
<input type="radio"/> 2103204000	TOMATO SAUCES, NESOI	KG
<input type="radio"/> 9618000000	TAILORS' DUMMIES & OTHER MANNEQUINS; AUTOMATONS & OTHER ANIMATED DISPLAYS FOR SHOP WINDOW DRESSING	X

Source: Foreign Trade Division, U.S. Census Bureau, 2005.

Select country

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

(Please note that this analysis is based on the Jan 2005-Dec 2005 data and does not reflect the most recent prices. Also note that this analysis is based on the US trade data provided by the US Census Bureau, and International Trade Alert, Inc. is not responsible for the accuracy or validity of the information.)

[New Search](#)

**Check Price**

US EXPORTS

Commodity: 2103202000

Country:

Unit Price \$:

Submit

Select country

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Click button for result

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

(Please note that this analysis is based on the Jan 2005-Dec 2005 data and does not reflect the most recent prices. Also note that this analysis is based on the US trade data provided by the US Census Bureau, and International Trade Alert, Inc. is not responsible for the accuracy or validity of the information.)

[New Search](#)

**Check Price**

US EXPORTS

Commodity: 2103202000

Country:

Kuwait

Unit Price \$:

0.14

Submit

Select country

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Enter the unit price here

[New Search](#)

## Check Price

US EXPORTS Commodity: 2103202000 Country:  Unit Price \$:

TOMATO KETCHUP (Unit: KG)

### WORLD

Transactions: 2378

95th Percentile: \$ 1.28

MEDIAN: \$ 0.81

5th Percentile: \$ 0.55

Mean + 2SD: \$ 2.20

MEAN: \$ 0.81

Mean - 2SD: \$ 0.30

### KUWAIT

Transactions: 26

95th Percentile: \$ 2.53

MEDIAN: \$ 0.58

5th Percentile: \$ 0.51

Mean + 2SD: \$ 3.55

MEAN: \$ 0.76

Mean - 2SD: \$ 0.16

**Risk Index = - 4**

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ " is money moved into the US, "- " is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

[New Search](#)

## Check Price

US EXPORTS

Commodity: 2103202000

Country:

Unit Price \$:

TOMATO KETCHUP (Unit: KG)

WORLD	KUWAIT
Transactions: 2378	Transactions: 26
95th Percentile: \$ 1.28	95th Percentile: \$ 2.53
MEDIAN: \$ 0.81	MEDIAN: \$ 0.58
5th Percentile: \$ 0.55	5th Percentile: \$ 0.51
Mean + 2SD: \$ 2.20	Mean + 2SD: \$ 3.55
MEAN: \$ 0.81	MEAN: \$ 0.76
Mean - 2SD: \$ 0.30	Mean - 2SD: \$ 0.16

Risk Index = 0

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ is money moved into the US, "-" is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

## Check Price

US EXPORTS

Commodity: 2103202000

Country: Kuwait

Unit Price \$: 3.75

Submit

TOMATO KETCHUP (Unit: KG)

WORLD	KUWAIT
Transactions: 2378	Transactions: 26
95th Percentile: \$ 1.28	95th Percentile: \$ 2.53
MEDIAN: \$ 0.81	MEDIAN: \$ 0.58
5th Percentile: \$ 0.55	5th Percentile: \$ 0.51
Mean + 2SD: \$ 2.20	Mean + 2SD: \$ 3.55
MEAN: \$ 0.81	MEAN: \$ 0.76
Mean - 2SD: \$ 0.30	Mean - 2SD: \$ 0.16

Risk Index = + 4

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ " is money moved into the US, "- " is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

## Example 2:

US Imports of Soccer Balls from Pakistan

Select Import and type code or keyword

# INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

Export  Import

Commodity Code / Product Description keyword:

Select EXPORT or IMPORT

Enter any part of the 10-digit commodity code or keyword/s used in the product description (this search is not case sensitive)

Select commodity

- |                                  |            |  |     |
|----------------------------------|------------|--|-----|
| <input type="radio"/>            | 7002102000 | GLASS IN BALLS WITH DIAMETER OVER 6MM, UNWORKED  | KG  |
| <input type="radio"/>            | 7325910000 | GRINDING BALLS AND SIM ARTICL FOR MILLS, CAST, OF IRON OR STEEL EXCEPT NONMALLEABLE CAST IRON              | KG  |
| <input type="radio"/>            | 7326110000 | GRINDING BALLS AND SIMILAR ARTICLES FOR MILLS, FORGED OR STAMPED, BUT NOT FURTHER WORKED, OF IRON OR STEEL | KG  |
| <input type="radio"/>            | 8482910010 | ALLOY STEEL BALLS FOR BALL BEARINGS  | KG  |
| <input type="radio"/>            | 8482910020 | BALLS FOR BALL BEARINGS, EXCEPT ALLOY STEEL  | KG  |
| <input type="radio"/>            | 9503900021 | INFLATABLE TOY BALLS, BALLOONS AND PUNCHBALLS OF RUBBER  | NO  |
| <input type="radio"/>            | 9503900025 | INFLATABLE TOY BALLS, BALLONS AND PUNCHBALLS, OTHER THAN RUBBER  | NO  |
| <input type="radio"/>            | 9504202000 | BILLIARD BALLS   | NO  |
| <input type="radio"/>            | 9504909040 | BOWLING BALLS  | NO  |
| <input type="radio"/>            | 9506320000 | GOLF BALLS   | DOZ |
| <input type="radio"/>            | 9506610000 | LAWN-TENNIS BALLS  | NO  |
| <input type="radio"/>            | 9506624040 | FOOTBALLS  | NO  |
| <input checked="" type="radio"/> | 9506624080 | SOCCER BALLS   | NO  |
| <input type="radio"/>            | 9506628020 | BASKETBALLS  | NO  |
| <input type="radio"/>            | 9506628040 | VOLLEYBALLS  | NO  |
| <input type="radio"/>            | 9506628060 | INFLATABLE BALLS, NESOI  | NO  |
| <input type="radio"/>            | 9506692040 | BASEBALLS  | NO  |
| <input type="radio"/>            | 9506692080 | SOFTBALLS  | NO  |

Select country

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

(Please note that this analysis is based on the Jan 2005-Dec 2005 data and does not reflect the most recent prices. Also note that this analysis is based on the US trade data provided by the US Census Bureau, and International Trade Alert, Inc. is not responsible for the accuracy or validity of the information.)

[New Search](#)

**Check Price**

US IMPORTS

Commodity: 9506624080

Country:

Unit Price \$:

Submit

Select country

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Click button for result

## INTERNATIONAL PRICE PROFILING SYSTEM (IPPS)

(Please note that this analysis is based on the Jan 2005-Dec 2005 data and does not reflect the most recent prices. Also note that this analysis is based on the US trade data provided by the US Census Bureau, and International Trade Alert, Inc. is not responsible for the accuracy or validity of the information.)

[New Search](#)

**Check Price**

US IMPORTS

Commodity: 9506624080

Country:

Pakistan



Unit Price \$:

0.30

Submit

Select country

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Enter the unit price here

[New Search](#)

## Check Price

US IMPORTS

Commodity: 9506624080

Country: Pakistan

Unit Price \$: 0.30

Submit

SOCCER BALLS (Unit: NO)

### WORLD

Transactions: 3014

95th Percentile: \$ 7.14

MEDIAN: \$ 2.79

5th Percentile: \$ 1.35

Mean + 2SD: \$ 27.40

MEAN: \$ 2.96

Mean - 2SD: \$ 0.32

### PAKISTN

Transactions: 966

95th Percentile: \$ 7.02

MEDIAN: \$ 3.54

5th Percentile: \$ 2.19

Mean + 2SD: \$ 20.61

MEAN: \$ 3.73

Mean - 2SD: \$ 0.67

Risk Index = + 4

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ is money moved into the US, "-" is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

[New Search](#)

## Check Price

US IMPORTS

Commodity: 9506624080

Country: Pakistan

Unit Price \$: 2.95

Submit

SOCCER BALLS (Unit: NO)

### WORLD

Transactions: 3014

95th Percentile: \$ 7.14

MEDIAN: \$ 2.79

5th Percentile: \$ 1.35

Mean + 2SD: \$ 27.40

MEAN: \$ 2.96

Mean - 2SD: \$ 0.32

### PAKISTN

Transactions: 966

95th Percentile: \$ 7.02

MEDIAN: \$ 3.54

5th Percentile: \$ 2.19

Mean + 2SD: \$ 20.61

MEAN: \$ 3.73

Mean - 2SD: \$ 0.67

Risk Index = 0

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ is money moved into the US, "-" is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

[New Search](#)

## Check Price

US IMPORTS

Commodity: 9506624080

Country:

Pakistan

Unit Price \$: 30.00

Submit

SOC CER BALLS (Unit: NO)

### WORLD

Transactions: 3014

95th Percentile: \$ 7.14

MEDIAN: \$ 2.79

5th Percentile: \$ 1.35

Mean + 2SD: \$ 27.40

MEAN: \$ 2.96

Mean - 2SD: \$ 0.32

### PAKISTN

Transactions: 966

95th Percentile: \$ 7.02

MEDIAN: \$ 3.54

5th Percentile: \$ 2.19

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Risk Index = - 4

RISK INDEX: 4=Highest Risk, 1=Lowest Risk, 0=No Risk  
("+ " is money moved into the US, "- " is money moved out of the US)

Data Source: US Trade January 2005 - December 2005

# **PROBLEMS WITH MONITORING TRADE FINANCING**

## **DOCUMENTATION PROBLEMS**

**INVOICES, MANIFESTS & BILLS OF LADING**

**INACCURATE PRODUCT DESCRIPTIONS**

**INACCURATE UNITS OF MEASURE**

**INACCURATE QUANTITIES**

**INACCURATE \$VALUES AND UNIT PRICES**

## SOLUTION TO DOCUMENTATION PROBLEMS

**FINANCIAL INSTITUTIONS ENGAGED IN TRADE  
FINANCING SHOULD REQUEST DOCUMENTATION  
BASED ON THE INFORMATION CONTAINED IN  
IMPORT AND EXPORT DOCUMENTS SUBMITTED  
TO U.S. CUSTOMS**

**IMPORTS – IMPORT SUMMARY  
FORM 7501**

**EXPORTS – SHIPPERS EXPORT DECLARATION  
FORM 7525**

## INFORMATION CONTAINED IN CUSTOMS DOCUMENTATION

10 DIGIT HARMONIZED COMMODITY CODES

PRODUCT DESCRIPTION – 150 CHARACTERS

UNIT OF MEASURE - METRIC

QUANTITY OF UNIT OF MEASURE

DOLLAR VALUE – ADJUSTED FOR FOREIGN EXCHANGE

COUNTRY OF IMPORT OR EXPORT + (COUNTRY OF ORIGIN)

U.S. CUSTOMS DISTRICT

FRAUDULENT INFORMATION ON A CUSTOMS DOCUMENT IS A

“SPECIFIED UNLAWFUL ACTIVITY”

# Applications

## International Price Profiling System (IPPS)

- **Governments: US & Foreign:** Investigative Analysis
  - Money Laundering
  - Terrorist Financing
  - Tax Avoidance/Evasion
  - Import Duty Fraud
- **Banks:** Avoid Trade Financing Illegal Transactions  
Determine Value at Risk
- **Accounting Firms:** Auditing Transactions
- **Attorneys:** Litigation Evidence
- **Insurance:** Avoid Insurance Fraud
- **Business:** Monitoring Abnormal Trade Patterns



**QUESTIONS  
&  
COMMENTS**

**“The Impact of Switzerland’s Money Laundering Law  
on Capital Flows Through Abnormal Pricing in  
International Trade”**

Journal of Applied Financial Economics

January 2005, 15, 217 - 230

## **EVENT STUDIED**

**April 1998: Federal Act on the Prevention of Money Laundering in the Financial Sector – Money Laundering Act (MLA)**

## **TIME PERIOD STUDIED – 1995 TO 2000**

Before the Law: 1995, 1996, 1997

After the Law: 1998, 1999, 2000

## **OTHER VARIABLES EVALUATED**

Interest Rates: Swiss and U.S.

Exchange Rates: Swiss and U.S.

Consumer Price Index: Swiss and U.S.

Producer Price Index: Swiss and U.S.

## RESULTS OF STUDY

Other Variables had **NO** Impact on Movement of Money  
from Switzerland to U.S.

The only significant variable was the NEW LAW

## AVERAGE MONTHLY OUTFLOWS – BEFORE vs. AFTER

<u>Time Period</u>	<u>\$ Amount</u>	<u>% of Trade Volume</u>
Before the Law	\$ 252,863,571	28.93 %
After the Law	\$ 628,437,709	57.76 %
Percent Increase	149 %	100 %

## **CONCLUSION**

Increased Regulation of Financial Sector Shifts Money Laundering to International Trade

## **POLICY IMPLICATIONS**

Close the Back Door – Monitor International Trade Pricing

**ABNORMAL INTERNATIONAL TRADE  
TRANSACTIONS CANADA – U.S.**

**PRESENTED TO  
FINANCIAL INTELLIGENCE ANALYSIS GROUP**

**FINTRAC  
FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS  
CENTRE**

**OTTAWA, ONTARIO CANADA**

**OCTOBER 13 & 14, 2004**

## **MONEY MOVED FROM U.S. TO CANADA – DEC 2003**

	<b># TRANS</b>	<b>\$ VALUE</b>
<b>Overvalued Canada Exports to U.S.</b> (Overvalued U.S. Imports from Canada)	<b>181,277</b>	<b>\$ 604,089,804</b>
<b>Undervalued Canada Imports from U.S.</b> (Undervalued U.S. Exports to Canada)	<b>84,749</b>	<b>\$ 575,785,214</b>
<b>TOTAL</b>	<b>266,026</b>	<b>\$ 1,179,875,018</b>

## **MONEY MOVED FROM CANADA TO U.S.– DEC 2003**

	<b># TRANS</b>	<b>\$ VALUE</b>
<b>Undervalued Canada Exports to U.S.</b> (Undervalued U.S. Imports from Canada)	<b>135,235</b>	<b>\$ 1,933,835,616</b>
<b>Overvalued Canada Imports from U.S.</b> (Overvalued U.S. Exports to Canada)	<b>126,331</b>	<b>\$ 505,190,810</b>
<b>TOTAL</b>	<b>261,566</b>	<b>\$ 2,439,026,426</b>

**EXAMPLE: MONEY MOVED FROM U.S. TO CANADA – DEC. 2003**  
**OVERVALUED CANADA EXPORTS TO U.S.**  
**(OVERVALUED U.S. IMPORTS FROM CANADA)**

HS Code:	7108121013
Description:	Gold Bullion, not less than 99.95 percent gold by weight, unwrought, non monetary: gold content
Unit:	CGM (Content Gram)
U.S.C.D.	Ogdensburg, N.Y.
# of Trans:	11
Quantity:	4,429,712
Value:	\$ 59,318,801
Unit Price:	\$ 13.39
Upper Quartile Price:	\$ 12.50
Overvalue/Unit:	\$ 0.89
Overvalue Total:	\$ 3,941,557.74

**EXAMPLE: MONEY MOVED FROM U.S. TO CANADA – DEC. 2003**  
**UNDERVALUED CANADA IMPORTS FROM U.S.**  
**(UNDERVALUED U.S. EXPORTS TO CANADA)**

HS Code:	8429110010
Description:	Bulldozers and Angledozeres, Self-Propelled, Track Laying, New
Unit:	No (Number)
U.S.C.D.	Pembina, North Dakota
# of Trans:	44
Quantity:	465
Value:	\$ 11,735,034
Unit Price:	\$ 25,236.63
Lower Quartile Price:	\$ 51,363.00
Undervalue/Unit:	\$ 26,126.37
Undervalue Total:	\$ 12,148,760.98

# INTERNATIONAL TRADE PRICE ANALYSIS

## METHODOLOGY 1992-1995

IMPORT PRICES > 150% AVERAGE COUNTRY IMPORT PRICE  
EXPORT PRICES < 50% AVERAGE COUNTRY EXPORT PRICE

## MONEY MOVED OUT OF UNITED STATES

1992	\$ 84.12 BILLION
1993	\$ 97.35 BILLION
1994	\$116.18 BILLION
1995	\$136.76 BILLION

# INTERNATIONAL TRADE PRICE ANALYSIS

## METHODOLOGY 1998-2001

IMPORT PRICES > UPPER QUARTILE COUNTRY IMPORT PRICE  
EXPORT PRICES < LOWER QUARTILE COUNTRY EXPORT PRICE

## MONEY MOVED OUT OF UNITED STATES

1998	\$104.71 BILLION
1999	\$125.59 BILLION
2000	\$130.88 BILLION
2001	\$156.18 BILLION

**MONEY MOVED  
FROM U.S. TO AL QAEDA COUNTRIES**

**MONEY MOVED  
FROM AL QAEDA COUNTRIES TO U.S.**

## MONEY MOVED OUT OF THE UNITED STATES (2004) TO THE AL QAEDA WATCH LIST COUNTRIES

SUSPICIOUS PRICING	DOLLAR VALUE	PERCENT
UNDER-VALUED EXPORTS	\$ 5.4 Billion	71.0%
OVER-VALUED IMPORTS	\$ 2.2 Billion	29.0%
<b>TOTAL</b>	<b>\$ 7.6 Billion</b>	<b>100%</b>

## MONEY MOVED INTO OF THE UNITED STATES (2004) FROM THE AL QAEDA WATCH LIST COUNTRIES

SUSPICIOUS PRICING	DOLLAR VALUE	PERCENT
OVER-VALUED EXPORTS	\$ 2.8 Billion	34.1%
UNDER-VALUED IMPORTS	\$ 5.4 Billion	65.9%
<b>TOTAL</b>	<b>\$ 8.2 Billion</b>	<b>100%</b>

# MONEY MOVED OUT OF THE UNITED STATES 2004 (million)

## - TO COUNTRIES ON THE AL QAEDA WATCH LIST

	COUNTRY	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
	<b>TOTAL</b>	<b>\$ 7,621.7</b>	<b>6.91%</b>
1	MALAYSIA	\$ 3,518.7	9.00%
2	SAUDI ARABIA	\$ 1,007.3	3.85%
3	IRAQ	\$ 916.4	9.78%
4	ARAB EMIRATES	\$ 662.3	12.72%
5	ALGERIA	\$ 260.1	3.10%
6	PAKISTAN	\$ 229.2	4.89%
7	EGYPT	\$ 227.9	5.14%
8	KUWAIT	\$ 215.8	4.54%
9	IRAN	\$ 165.6	70.03%
10	JORDAN	\$ 88.6	5.39%
11	OMAN	\$ 71.8	9.60%
12	QATAR	\$ 53.2	6.32%

	COUNTRY	TOTAL MOVED OUT OF THE US	SHARE OF TRADE
13	BAHRAIN	\$ 46.6	6.59%
14	AFGANISTAN	\$ 38.3	20.95%
15	MOROCCO	\$ 36.8	3.54%
16	LEBANON	\$ 31.9	5.95%
17	TUNISIA	\$ 17.8	3.81%
18	BRUNEI	\$ 16.9	3.70%
19	SYRIA	\$ 8.6	1.80%
20	SUDAN	\$ 4.3	6.04%
21	YEMEN	\$ 1.9	0.66%
22	ERITREA	\$ 0.7	1.38%
23	SOMALIA	\$ 0.3	3.41%
24	DJIBUTI	\$ 0.3	0.75%
25	LIBYA	\$ 0.3	0.08%

## MONEY MOVED FROM U.S. TO AL QAEDA COUNTRIES

### U.S. EXPORTS TO AL QAEDA COUNTRIES – UNDERVALUED

<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>UNIT</u>	<u>UNIT PRICE</u>
Television Antennas	Malaysia	NO	\$ 0.30
Color TV Cameras	Kuwait	NO	\$ 116.44
Cigars	Arab Emirates	THS	\$ 15.47
Passenger Motor Vehicles	Jordan	NO	\$ 377.27
Sleeping Bags	Jordan	NO	\$ 13.26
Bulldozers	Saudi Arabia	NO	\$ 5,909.09
Mayonnaise	Lebanon	KG	\$ 0.27

## MONEY MOVED FROM U.S. TO AL QAEDA COUNTRIES

### U.S. IMPORTS FROM AL QAEDA COUNTRIES – OVERVALUED

<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>UNIT</u>	<u>UNIT PRICE</u>
Dates	Tunisia	KG	\$ 230.00
Rice, Basmati	Pakistan	KG	\$ 94.52
Footballs	Malaysia	NO	\$ 142.50
Pencils & Crayons	Malaysia	GRS	\$ 1,168.00
Pasta	Pakistan	KG	\$ 24.00
Woman's Panties, Synthetic	Morocco	DOZ	\$ 479.53
Bread	Malaysia	KG	\$ 17.26

# MONEY MOVED INTO THE UNITED STATES 2004 (million)

## - FROM COUNTRIES ON THE AL QAEDA WATCH LIST

	COUNTRY	TOTAL MOVED INTO THE US	SHARE OF TRADE
	<b>TOTAL</b>	<b>\$ 8,232.7</b>	<b>7.47%</b>
1	MALAYSIA	\$ 5,222.7	13.36%
2	SAUDI ARABIA	\$ 1,177.1	4.50%
3	ALGERIA	\$ 442.5	5.28%
4	EGYPT	\$ 290.2	6.54%
5	ARAB EMIRATES	\$ 282.9	5.44%
6	PAKISTAN	\$ 199.5	4.26%
7	KUWAIT	\$ 166.6	3.51%
8	IRAQ	\$ 101.1	1.08%
9	QATAR	\$ 80.4	9.55%
10	JORDAN	\$ 74.2	4.51%
11	IRAN	\$ 35.8	15.13%
12	LEBANON	\$ 34.3	6.38%

	COUNTRY	TOTAL MOVED INTO THE US	SHARE OF TRADE
13	MOROCCO	\$ 32.3	3.11%
14	OMAN	\$ 21.5	2.87%
15	BAHRAIN	\$ 20.2	2.86%
16	TUNISIA	\$ 15.6	3.34%
17	BRUNEI	\$ 15.2	3.33%
18	SYRIA	\$ 5.8	1.20%
19	LIBYA	\$ 4.4	1.19%
20	AFGANISTAN	\$ 3.9	2.15%
21	YEMEN	\$ 3.5	1.19%
22	SUDAN	\$ 2.5	3.48%
23	ERITREA	\$ 0.5	0.91%
24	DJIBUTI	\$ 0.0	0.11%
25	SOMALIA	\$ 0.0	0.01%

## MONEY MOVED FROM AL QAEDA COUNTRIES TO U.S.

## U.S. EXPORTS TO AL QAEDA COUNTRIES – OVERVALUED

<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>UNIT</u>	<u>UNIT PRICE</u>
Smoke Detectors	Saudi Arabia	NO	\$ 22,873.63
Video Monitors, Color	Pakistan	NO	\$ 5,159.00
Telephone Handsets	Arab Emirates	NO	\$ 1,697.00
Pocket Size Walkmans	Kuwait	NO	\$ 7,574.40
Lawn Mowers	Arab Emirates	NO	\$ 22,000.00
Soap	Saudi Arabia	KG	\$ 119.86

## MONEY MOVED FROM AL QAEDA COUNTRIES TO U.S.

### U.S. IMPORTS FROM AL QAEDA COUNTRIES – UNDERVALUED

<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>UNIT</u>	<u>UNIT PRICE</u>
Television Cameras	Malaysia	NO	\$ 8.48
Fork Lift Trucks	Malaysia	NO	\$ 39.10
Billiard Tables	Malaysia	NO	\$ 17.84
Soccer Balls	Pakistan	NO	\$ 0.75
Bulldozers	Malaysia	NO	\$ 5,500.00
Natural Honey	Pakistan	KG	\$ 1.42