



Wildlife Justice
Commission

Black Business

Illegal Rhino Horn Trade
Dynamics in Nhi Khe, Viet Nam,
from a Criminal Perspective

A CASE STUDY

September 2017

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Demand for rhino horn has grown exponentially over the last ten years, fuelling an unprecedented slaughter of rhinos in Africa, and to a lesser extent in India. To provide some insight into the scale of the current problem, in South Africa alone, the number of rhinos killed in 2007 was reported as low as 13, yet by 2016 this number had risen to 1054¹. While this signalled a decrease from the highest figure reported in 2014 of 1215 poached rhinos, levels are still significant and leaves little room for complacency.

In early August 2017, the WJC were offered 76 rhino horns (comprising both front and back horns) in one single incident, highlighting the organised nature of this trade, where subjects are trading in great volume. This image serves as a reminder that the trade in raw rhino horn continues unabated and that demand shows no signs of subsiding.



76 Rhino horns presented to WJC, August 2017

This assessment describes the dynamics of rhino horn trafficking in Nhi Khe (Viet Nam) and the fluctuations of the value of raw rhino horn presented to our undercover operatives during the course of our field investigations and hopes to inform the wider debate on what drives the demand for rhino horn.

The Wildlife Justice Commission (WJC) was established in March 2015 with the goal of exposing and assisting in the disruption of transnational organised wildlife crime. Its first investigation revealed a major criminal network involved in trafficking the parts and products of several CITES Appendix I listed species and centred upon the small village of Nhi Khe, Viet Nam². The investigation resulted in a Case File and over 5000 pages of evidence against 51 subjects, and was first submitted to authorities in Viet Nam in January 2016 and to China in February 2016. Further evidence was collected during the second part of the investigation conducted from January-June 2016, and submitted to Vietnamese and Chinese authorities as an Update of the Case File in August 2016.

Nhi Khe predominantly targets a Chinese clientele, with the larger shops arranging the smuggling of products into China. Interpreters were seen to play a pivotal role in connecting Chinese buyers with traders and facilitating negotiations. In addition to the physical trade occurring on premises in Nhi Khe, we noted the widespread use of WeChat, and to a lesser extent, Facebook to advertise illegal wildlife products. Vietnamese traders were found to use Chinese bank accounts for the receipt of payments for wildlife products, thus facilitating money laundering and the movement of significant illicit financial flows. In addition, we observed an emerging trend of Chinese buyers using WeChat Wallet, a payment application within WeChat, to pay Vietnamese suppliers for goods purchased.

Of particular note, was the extent to which this network was involved in the large-scale trafficking of rhino horn. During the investigation valuable insight was gained about the illegal rhino horn trade in Vietnam and in supply to China, the networks involved and the drivers that perpetuate this illicit trade. During the entire investigation, an estimated 1,061 kg of rhino horn, in both raw and processed form were observed in trade.

¹ South African Department of Environmental Affairs (2017)

² More information about the case and the work of the Wildlife Justice Commission is available here: www.wildlifejustice.org

An extrapolation from the quantity of horn parts and products observed to the estimated number of rhinos this equates to suggests these commodities represent a minimum of 401 and a maximum of 579 rhinos (Table 1). In addition, the total monetary value of these commodities was calculated to equate to approximately USD 42,700,000.

TABLE 1: TOTAL MONETARY VALUE* AND NUMBER OF ESTIMATED INDIVIDUAL RHINOS

Commodity Type	Number of Individuals		Estimated Value	
	Min.	Max.	VND	USD
356 horns / tips	178	356	952,400,000.00	42,700,000
Processed products	223	223		
	401	579		

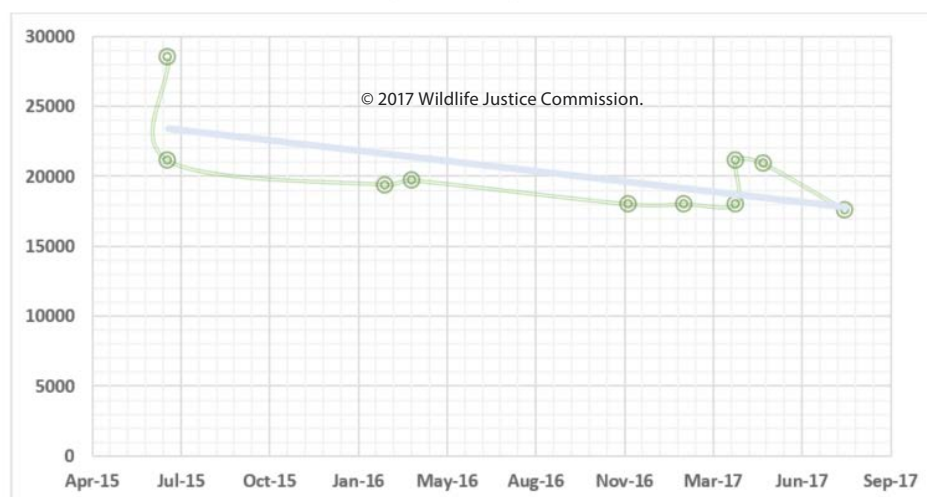
© 2017 Wildlife Justice Commission.

The Value of Rhino Horn

The commonly cited value of raw rhino horn in the public sphere sits around the USD 65,000 per kilo mark, while our investigation finds that the value offered to our operatives has consistently been less than half that price since we began recording price data in July 2015. The current value of rhino horn in Viet Nam for Chinese customers ranges between USD 17,600-22,300 based on current prices received from different sellers in April, May and August 2017. While the most valuable part of the horn is the tip which weighs, at most, approximately one kilo is valued between USD 25-30,000. This is due to its shape; the tip is considered to hold greater artistic value.

Following this investigation (commenced in October 2016), the WJC continued to monitor trade and interact with those prolific subjects of interest deemed to present the greatest threat using the same methodology and means of communications as used previously in Nhi Khe. This has allowed for the collection of more than two years of price data specifically for raw rhino horn. Between the first data point being obtained in July 2015 until the latest data point in August 2017, the price of raw rhino horn has decreased in value by 38% (10,900 USD), in addition, the linear trendline based upon these prices indicate an overall decline (Chart 1).

CHART 1: RAW RHINO PRICES IN USD (JULY-2015-AUGUST-2017)



© 2017 Wildlife Justice Commission.

Our investigation found variations in the value of rhino horn products depending on which part of the horn they derived from. Rhino horn products can be discerned by the colours they come in; black, brown, yellow and to a lesser extent red. The blacker the horn the more expensive it will be, by extension, the lighter the colour, the cheaper it is. Looking at the cross section of a rhino horn, the most precious part is in the centre, where it appears to be very dark or even pure black (sometimes referred to as ‘meat’), and gradually fades into brown, red, and yellow or even white until the outer ring where the skin grows (Image 1 & 2). Lastly, the price of the horn and horn products is influenced by whether it concerns/derives from the first horn (the front horn) or the second horn (back horn) of the rhino. The first horn is generally sold at a higher price than the second horn.



IMAGE 1: Carved Rhino Horn Pieces, Offered in May 2016



IMAGE 2: Carved Rhino Horn Pieces, Offered in May 2016

A Criminal Enterprise with Role and Responsibilities

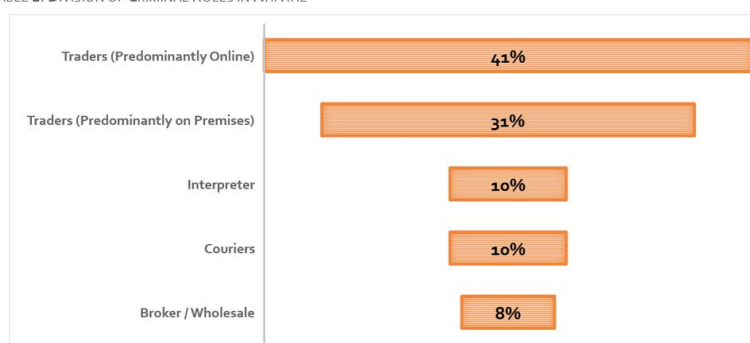
Certain aspects of the way in which illegal trade occurred in the village are synonymous with that of a criminal business and demonstrates how Nhi Khe operations are consistent with that of a legitimate business. We found the illegal trade operations (from acquisition to customer delivery) mirrored stages of a legitimate business.

Examples of business rules found operational in Nhi Khe, included:

- Discounts offered if higher quantities of goods are purchased in bulk;
- Deposits paid up front (mainly quoted between 20-30%);
- Refunds offered if the shipment is intercepted by enforcement agencies;
- Clear roles of individuals along the chain facilitating the movement of goods from source to consumer;
- Use of international bank accounts.

The different roles of each of the 51 identified subjects were determined as well as their chosen method of trade. As expected, most fulfilled the roles of sellers and traders (Table 2), and this varied in terms of the volume and diversity of species they trade in. As suspected, not all actors assume the same role or have the same level of power and to fully comprehend this, Social Network Analysis (SNA) was applied³ to the network. SNA provides a method to aid understanding of networks and is particularly relevant for operational aspects of a criminal network, to determine hierarchy and power.

TABLE 2: DIVISION OF CRIMINAL ROLES IN NHI KHE



Our investigation found that interpreters played an integral role to the success of the overall operation and as such were a central enabling factor in Nhi Khe. Of the 51 persons of interest subject to the investigation, five (10%) were identified as fulfilling the role of a Chinese interpreter, all of which were female Vietnamese nationals who typically accompanied Chinese customers to the village. Day rates for translators were quoted at 150 RMB [USD 22]. The interpreters facilitated meetings and transactions by assuming the role of central communicators. They escorted clients to the village to view products and helped to negotiate prices. They were found to have good access to other parts of the network and therefore to have much greater visibility across the network. SNA analysis finds that four (8% of the criminal base) of the interpreters⁴ were found to be linked to 40% of the remaining network. It is assessed that translators are intrinsic to the criminal network identified in our investigation, as they have a good level of coverage and play a key connecting role. The removal of such players is likely to impact operations and disrupt illegal activity.

The situation we witnessed in Nhi Khe is a unique one, which may be replicated in other locations across Viet Nam, albeit, to a much lesser extent. The market appeared to be dictated by a drive to supply Chinese clientele, particularly, with worked rhino horn products. Although Viet Nam is known to be a primary destination for rhino horn, it is also clearly a highly significant transit area for products ultimately bound for China. Research that has relied on a review of trafficking patterns and expatriate involvement in Africa may have overstated the significance of the domestic Vietnamese market. It is unclear whether these two distinct markets have long been in place or how the situation has evolved over time.

In contrast, and unexpectedly, any appetite for rhino horn for medicinal purposes did not materialise. Of over 8,000 images of illegal parts and products that we documented during the investigation, less than five featured offcuts of rhino horn. Consideration may need to be given to the over-representation of a Chinese market due to the use of covert investigators of Chinese ethnicity during the investigation.

The volume and therefore prevalence of wildlife trade in the village is facilitated by the following situational factors:

- the role of the translators (*enabling communications between seller and buyer*);
- the geographical proximity of Nhi Khe to the Chinese border (*reducing effort required from the offender, both buyer and seller*);
- connections to shops in China owned by Vietnamese nationals associated by family connections to subjects in Nhi Khe (*legitimatising the transport of goods*);
- the utilisation of a Chinese social media platform (*not currently monitored in Viet Nam*);
- the use of Chinese accounts by Vietnamese nationals (*circumventing Vietnamese financial monitoring systems*).

Corruption continues to be a significant influencing factor facilitating illegal wildlife crime across all parts of the trade chain⁵. Indications of corruption were apparent during the investigation, including the reported bribery of local and provincial government officials by traders in Nhi Khe to ensure protection; the bribery of Vietnamese Customs officials to allow the smuggle of wildlife into China; and traders demonstrating to have prior knowledge of police inspections. Without truly tackling this issue of corruption, the situation is likely to persist.

Demand for wildlife in consumer states is a social problem that requires a multi-faceted solution. One aspect of which must incorporate social science based solutions such as behavioural change⁶. While such initiatives are already underway in Viet Nam most have been seeking to reduce demand for endangered animals for medicinal purposes, and may fail to consider the emerging, yet popular use of rhino horn as items of jewellery, libation or tea cups in China.

³Clifton, K.L. and Rastogi, A., (2016). Curbing Illegal Wildlife Trade: The Role of Social Network Analysis. IUCN

⁴The fifth interpreter was not found to be linked to any other person of interest during the investigation

⁵https://www.unodc.org/documents/data-and-analysis/wildlife/World_Wildlife_Crime_Report_2016_final.pdf

⁶Duncan Graham-Rowe (2011). Biodiversity: Endangered and in demand. Nature 480 S101–S103

