



Elephant
Action
League

July 2017



An Undercover Investigation
on Rhino Horn Trafficking
in China and Vietnam



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Action
League

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PUBLICATION DATE

July 2017

ABOUT EAL

Founded in 2013, Elephant Action League (EAL) is a hybrid non-profit organization that merges the worlds of high-level security, intelligence and conservation in service of wildlife and the people who protect it.

EAL is a registered nonprofit, tax-exempt charity under section 501(c)(3) of the U.S. Internal Revenue Code.

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About This Report

The following report provides a summarized account of the investigative activities and findings associated with Operation *Red Cloud*. Please note that this report has been prepared for the public and does not include names of the individuals or businesses with whom investigators met and/or identified as Persons of Interest (POIs).

A Confidential Intelligence Brief (CIB) that contains full detail of all information and intelligence gathered during Operation *Red Cloud* has been submitted to applicable Chinese, Vietnamese and U.S. authorities. More information about the CIB may be found on page 75.

All transcripts included in this report were originally recorded by EAL's investigative team in Chinese. Every effort has been made to produce an accurate translation of the conversations. In each quote, investigator(s) are represented by an 'I' and POIs have been assigned identification numbers as listed in the "Persons of Interest Summary" in Appendix A of this report.



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Elephant Action League protects wildlife through effective intelligence collection and investigative efforts.





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Executive Summary

Although completely illegal for many years, rhinoceros horn is still present and available for sale throughout China. Continued consumer demand for rhino horn in both China and Vietnam has created economic incentives for, and a resurgence of, poaching and trafficking in African countries in the past ten years.

Given the many questions associated with why and how the black market for rhino horn continues to thrive, Elephant Action League (EAL) decided to target its intelligence and investigative expertise toward catalyzing and informing action that will fundamentally disrupt the illicit rhino horn supply chain from Africa to Asia. **Operation Red Cloud** is part of this strategic initiative.



Rhino horns offered to EAL's investigators

EAL designed **Operation Red Cloud**, an undercover intelligence gathering and investigative operation executed over eleven months in 2016-2017, to target the latter part of the rhino horn supply chain – China and Vietnam. There have not been any targeted investigations into the rhino horn trade in China in decades, so it was extremely important to get a current and clear picture of the market. Given the sheer pervasiveness of the rhino horn trade in both Vietnam and China, EAL investigators planned and completed an expansive investigative scope of work for **Operation Red Cloud**. They performed multiple field missions in China and Vietnam, all designed to expose and map rhino horn trade networks, identify the participants, and document the means (or 'modus operandi') by which rhino horn is trafficked through Vietnam, and into and through China.

This public report provides background on the current rhino poaching crisis and what was known about the rhino horn black market in China, as well as an extensive narrative, supported by first-person accounts, of how rhino horn is smuggled from Vietnam to China and then distributed and sold within China. Although this report is extensive, **the primary output from Operation Red Cloud is a Confidential Intelligence Brief (CIB)** that has been prepared and submitted to law enforcement authorities. The CIB contains the names of key players, a broader mapping of network associates and enablers, the complete modus operandi of traffickers and traders, and any concrete evidence of illegal activity uncovered during the investigation, as well as many hours of relevant undercover footage supporting the data gathered.

The key trends found during Operation Red Cloud that will guide further action include the following:

- 🐘 **The rhino horn trade is an extremely complex web of traffickers, transporters, wholesale dealers, and traders,** making law enforcement incredibly difficult for local, national, and international authorities.
- 🐘 Rhino horn and other wildlife contraband **generally moves from Vietnam to the Guangxi or Yunnan Provinces and then to China's primary retail markets** (Guangdong, Fujian, Zhejiang, Beijing).
- 🐘 Local populations at the China-Vietnam border use the smuggling business as a means to support themselves and their families.
- 🐘 **Smugglers tend to use individuals to transport contraband across the border; individuals can more easily pass through the border** (via a port of entry or via illicit

routes) without inspection or detection.

- 🐘 Official ports of entry and private border crossings are both used to smuggle goods, but private crossings have weaker security.
- 🐘 Most high-crime smuggling occurs via mountain and land routes, but moving goods across the border via boat is still a common practice in some areas.
- 🐘 In Vietnam, **wildlife dealers claim to have relationships built with shipping companies** so that they can ship contraband directly to customers throughout China. (See Appendix C)
- 🐘 In China, **many traders offer delivery of illicit goods via registered courier services**. (See Appendix C)
- 🐘 Similar routes are used by smugglers for all types of contraband, including illegal arms and narcotics.
- 🐘 **The corruption exhibited by customs and law enforcement authorities in Vietnamese and Chinese border regions is substantial**; fining smugglers and taking bribes is standard practice at most ports of entry.
- 🐘 Many illegal wildlife product dealers are involved in the redwood furniture business, or similar art and antiques businesses, and traditional Chinese medicine markets, with established connections in Vietnam and/or Guangxi.
- 🐘 Most **dealers do not hold a large inventory of rhino horn** (whole, raw, or carved), instead, material is generally sourced on-demand and primarily sold only to familiar customers in order to avoid detection by authorities.
- 🐘 **WeChat, the mobile application, is used extensively by dealers** to connect with buyers and exhibit available rhino horn products; Alipay is used by many to process payment transactions.
- 🐘 One contact alleged that he **sells rhino horn scrap to a Chinese international pharmaceutical company, Tong Ren Tang**, for use in medical products, though this is unconfirmed by EAL and denied by another POI that previously worked for the company. (See Appendix C)
- 🐘 A seasoned rhino horn dealer, who is also a Vice President of the local Association of Collectors, alleged involvement with commanders in the Chinese military, where they used him to identify authentic wildlife products (such as rhino horn) for them to purchase, as well as allowed the Chinese navy fleet to pick up and carry wildlife contraband back to China.

It is intended that Chinese and Vietnamese law enforcement authorities, as well as NGOs working to end wildlife trafficking throughout the areas of investigation, will use the detailed intelligence gathered during Operation Red Cloud to effect real change and true disruption of the illicit rhino horn trade. EAL will support and further aid these actions, and help coordinate action taken in the latter part of the rhino horn supply chain (China and Vietnam) with disruption activities at the beginning of the supply chain (Southern Africa).

Introduction

Intelligence-Led Conservation

Elephant Action League (EAL) works to merge the worlds of intelligence, investigation, and conservation in the service of wildlife, forests, oceans, and the people who protect them. At its core, EAL uniquely applies professional intelligence expertise to disrupt the proliferation of wildlife crime around the world. Intelligence is the knowledge – ideally the foreknowledge – that EAL, its partners, and governmental authorities can employ to safeguard wildlife and people, and respond to very concrete threats to the environment.



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EAL contends that professionally run intelligence is the most important tool in the conservation arsenal against wildlife crime, especially for combatting wildlife poaching and trafficking, illegal fishing, and illegal logging. Most importantly, intelligence is the strategic resource that focuses investigations, law enforcement activities, governmental policy changes, and conservation funding.

EAL supplies its extensive skills and combined experience, both intelligence and law enforcement professionals, to a variety of crime-related environmental emergencies. This intelligence-led approach encompasses information-gathering, intelligence pro-

duction (collection, corroboration, and analysis) and dissemination, and professional investigations targeting many operational scenarios. It is this expertise and flexibility that allows EAL to operate in situations and locations where other NGOs or governmental agencies are unable or unwilling to operate.

EAL uses its intelligence-led approach to combat wildlife crime as a supplement to more traditional 'reactive' conservation models. Through its extensive intelligence network, NGO partners, and trusted law enforcement contacts, EAL facilitates more proactive, impactful, and disruptive outcomes.

EAL's approach is designed to identify and tell a complete story of the criminal networks and supply chains facilitating wildlife poaching and trafficking. Through human intelligence gathering activities (HUMINT), that is collecting information from human sources through covert methods, and other expert methods, EAL is able to:

- Amass pertinent information and actionable intelligence;
- Build networks of collaborators in the field;
- Research the '*modus operandi*' of organizations behind illegal trafficking;
- Target individuals and organizations that are profiting from poaching of wildlife and the illegal trade; and
- Share that intelligence with trusted law enforcement agencies through Confidential Intelligence Briefs (CIBs) when possible.

Positive outcomes associated with an intelligence-led approach include:

- Better quality evidence that facilitates the arrest and prosecution of higher level traffickers, network middlemen, and corrupt officials – the players that truly control the wildlife supply chains;
- Increased intelligence activity that directly leads to the disruption of the wildlife trafficking networks and supply chains;
- Expanded cooperation among stakeholders, including NGOs, governments, and law enforcement authorities, locally, regionally, and internationally; and
- Facts-based reports that can be used as a leverage by policy makers and media to hold governments accountable and demand action.

” Countries, especially those with end-use markets, are encouraged to undertake long-term, intelligence-led investigations (like those that have transpired in Europe and the U.S.) as part of their strategies to combat illegal rhino horn trade.

Recommendation from Cop17 Doc. 68

It is this approach that EAL has applied to **Operation Red Cloud**, its effort to generate the information and intelligence that law enforcement agencies and wildlife conservation advocates need to prevent rhino poaching and rhino horn trafficking, disrupt trafficking rings, and hold perpetrators accountable.

The Problem

Unprecedented consumer demand for rhinoceros horn in China and Vietnam is creating extraordinary economic incentives for poaching and trafficking in African countries. Rhino horns can command prices as high as USD 60,000 per kilogram, driving poaching rates higher than they have been in two decades across Africa. As of 2016, poaching is still up by over 8000% in South Africa since 2007 (1,054 vs. 13), where 79% of the African rhino population resides.¹ The crisis has spread to Namibia, where poaching tripled from 2014 to 2015, and Zimbabwe, where poaching more than doubled.² Together, South Africa, Namibia, and Zimbabwe are home to nearly 95 percent of all remaining African rhinos.

1. "Minister Edna Molewa Highlights Progress in the Fight against Rhino Poaching | DEA."

2. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)."

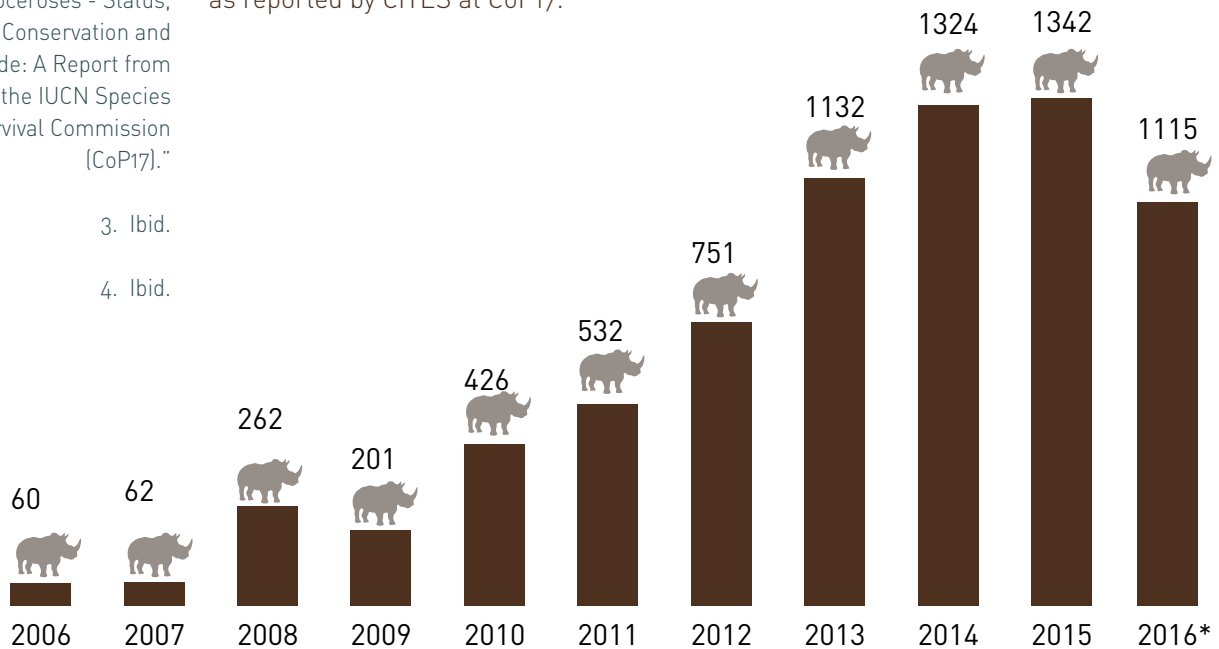
3. Ibid.

4. Ibid.

For Africa as a whole, the total number of rhinos poached during 2015 was the highest in two decades at 1,342.³ Poaching rates slightly declined in 2016 in most African range states, but the crisis is not resolved.

Total Rhinos Poached in Africa

Figure 1. African rhino poaching statistics as reported by CITES at CoP17.



* Note that the 2016 total only includes South Africa and Namibia; other range states have not reported 2016 poaching numbers at the time this report was written.⁴

5. Ibid. Equally alarming, of the three rhinoceros species native to Asia, only an estimated 73 Sumatran rhino and 63 Javan rhino remained in the wild as of 2015.⁵ The Critically Endangered Javan rhino only exists in a single population in a park in west Java, Indonesia. The Sumatran rhino exists in only four isolated sites in Indonesia. These species, as well as the greater one-horned rhino with an estimated population of about 3,300, are subject to fewer poaching incidents with only 24 in 2015, but habitat loss has already decimated these populations.
6. Crosta, Sutherland, and Beckner, "Blending Ivory - China's Old Loopholes, New Hopes."

As a major consumer of rhino horn, Vietnam has long been known for its sizable role in fueling rhino poaching, but evidence is mounting that China is also a major country of concern. In 1993, the government imposed a ban, which made it illegal to sell, purchase, or possess rhino horn. However, the Wildlife Justice Commission's (WJC) 2015-2016 investigation of a well-known wildlife trafficking village near Hanoi, Vietnam, revealed that the majority of rhino horn buyers (including wholesale buyers) were from China. Likewise, a recent EAL investigation on the illegal ivory trade in China revealed that many ivory traders were also selling rhino horn, and that it was in very high demand. One trader was recorded by an undercover investigator saying "he could sell as much [rhino horn] as he could buy."⁶

The potential for huge profits and comparatively low risk of punishment has attracted highly sophisticated criminal networks to this lucrative transnational black market. Ending the culture of impunity surrounding wildlife trafficking and disrupting the transnational flow of rhino horn will reduce the incentives for criminals at every point in the supply chain—from poachers to dealers. Unfortunately, law enforcement agencies seldom prioritize wildlife crime and addressing this kind of threat to wildlife falls well beyond the purview of most conservationists working in the region.



Rhino orphan in South Africa

While much is known about the illegal ivory trade in China, far less is known about the rhino horn trade. There have been few surveys on the use and trade of rhino horn in the past two decades and no known undercover investigations focused on rhino horn traffickers in China and their links to transit and origin countries in as many years. This lack of information — coupled with a lack of will and investigative capacity in China and Vietnam — is preventing local and national law enforcement agencies from effectively disrupting the criminal networks involved in the rhino horn trade. Likewise, it compromises the efforts of conservation advocates attempting to develop fact-based strategies and campaigns that raise awareness, reduce demand, and trigger policy change.

Investigative Plan & Objectives

It is well known that Vietnam is a transit country for a range of contraband including both wildlife products and illegal timber bound for China. Past investigations have confirmed that the Vietnam route into China is used by smugglers to take advantage of lax controls and a cluster of criminal brokers based in Chinese border towns. Vietnam itself is also a significant consumer of wildlife products, particularly rhino horn, primarily for ingredients in traditional medicine.

In response, EAL designed **Operation Red Cloud**, an investigation into rhino horn trafficking in China and through the China-Vietnam border. EAL investigators set out to map and expose the rhino horn supply chain as product travels through this border and into the illicit markets in cities like Beijing and other major urban centers. The investigative objective was to clearly identify the players, pinpoint law enforcement weaknesses, and inform EAL professionals, authorities, and other wildlife conservation organizations, working within and outside of China, how to effectively disrupt these rhino horn trafficking routes and distribution networks.



Operation Red Cloud was performed over an 11-month period from August 2016 through June 2017. In addition to off-site research and intelligence analysis, EAL investigators executed multiple field missions to China and Vietnam. Based on known information about existing trafficking and trading activity, EAL's investigative efforts were focused on provinces along the southern border of China — Guangxi, Guangdong, and Yunnan — as well as Henan, Fujian, Beijing, and a few key locations in Vietnam (see figure).

Figure 2. Regions in China visited by EAL investigators during Operation Red Cloud.

Leveraging the experience and expertise of a regional network of informants, advisors, and skilled investigative assets, the investigative plan aimed to understand:

1. The scope of rhino horn trafficking in China and the extent of its impact on the global rhino population;
2. The key players and modus operandi of the criminal networks trading and trafficking rhino horn;
3. How the illegal trade in China connects to brokers in other Southeast Asian transit countries like Vietnam; and
4. Potential choke points within trafficking networks and transit routes used to get rhino horn into China.

Much of this information will only appear in the Confidential Intelligence Brief (CIB) prepared for law enforcement authorities as opposed to this public report. The CIB contains the names of key players, a broader mapping of network associates and enablers, the complete modus operandi of traffickers and traders, and any concrete evidence of illegal activity uncovered during the investigation, as well as hours of relevant undercover footage.

Background

Current Rhino Status and Poaching Crisis

There are five species of rhinoceros in the world including two in Africa, the black rhino (*Diceros bicornis*) and the white rhino (*Ceratotherium simum*), and three in Asia, the greater one-horned rhino (*Rhinoceros unicornis*) and the Sumatran (*Dicerorhinus sumatrensis*) and Javan (*Rhinoceros sondaicus*) rhinos. The Sumatran and Javan varieties are on the brink of extinction. Rhinos were once abundant throughout Africa and Asia with an approximated global population of 500,000 in the early twentieth century.

Estimates for population size by species (with a confidence level of 90%) as of January 2016 are as follows:⁷

7. "Rhino Population Figures - Rhino Threats - Save the Rhino."

8. Moodley et al., "Extinctions, Genetic Erosion and Conservation Options for the Black Rhinoceros."

9. Rademeyer, "Tipping Point - Transnational Organized Crime and the 'War' on Poaching, Part 1."

10. Ibid.

11. Ibid.

Rhino Species	Population
White rhino	19,666 to 21,085
Black rhino	5,040 to 5,458
Greater one-horned rhino	3,500 +
Sumatran rhino	Less than 100
Javan rhino	61 to 63

The black rhino numbered about 100,000 in the early 1960s, but the population fell to only 2,400 by the early 1990s. Between 1970 and 1992, 96 percent of Africa's remaining black rhinos were killed. Due to extensive conservation efforts, its numbers have slowly increased to between 5,042 and 5,458 individuals, but the population as a whole suffers from a massive decline of genetic diversity.⁸ As for the white rhino, there were as few as 50 remaining in the wild by the late 19th century. Uncontrolled hunting in the colonial era drove this catastrophic decline of white rhinos. Now, poaching for their horn is the primary threat – living in herds and being relatively unaggressive makes them extremely vulnerable.

From 2008 through 2015, incidents of rhino poaching increased at a staggering rate (see Figure 1 in the previous sections). In 2015 alone, a record 1,342 rhinos were poached for their horns across seven African range states, compared to just 262 at the beginning of the current crisis in 2008.⁹ As a result, white rhino numbers have begun to stagnate and decline. The more critically endangered black rhino population has continued to rise, but the population growth rate has fallen due to losses from poaching.¹⁰

In 2016, 1,054 rhinos were reported killed in South Africa, a slight decline from those reported in 2014 and 2015. Although this is positive news, 1,054 still represents approximately 6% in the South African rhino population, which is very close to the rhino birth rate. This means that rhino births barely exceed the poaching rate, putting African rhinos close to their tipping point.¹¹

As of July 2017, non-official estimates indicate that approximately 500 rhinos have already been poached in South Africa. This means that South Africa is on track to lose more than one thousand rhinos for the fifth straight year. Similarly, Namibia has lost at least 16 rhinos to poaching in the first half of 2017, evidence that the poaching crisis in rhino range states is continuing.

12. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)," 3.

13. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)."

The magnitude of the illegal rhino horn trade is further highlighted when reviewing the quantity of horns hitting the market. According to a CITES report for CoP17, "illegal sourcing of horns from poaching, natural mortality, stockpile thefts, pseudo-hunting, and private sector sales suggests that an estimated 8,691 (2,674/year) rhino horns were obtained from October 2012 through 2015."¹² Seizures of rhino horn during this period totaled only 2,111 horns, so the remaining 6,580 rhino horns ultimately hit the illegal market. This is double the quantity estimated for the prior CITES reporting period. This represents approximately 20 tons of rhino horn moving out of Africa and into illegal trade in a mere three-year time span.¹³



Freshly poached horn in South Africa (Operation *Giona*)

Human Toll of Rhino Poaching



For thousands of years, rhinoceros (rhino) horn has been a highly sought-after, luxury commodity. The demand for rhino horn – in different forms and for a wide range of uses – has come historically from Middle Eastern cultures, China, South East Asian cultures, and more recently from the United States and Europe. In Yemen, rhino horns have been carved into dagger handles, jambiyas, for centuries. In a relatively recent development, in Vietnam, rhino horn powder is believed to detoxify the body, particularly as a treatment for cancer or as a hangover cure. Since the early 20th century, trophy hunters primarily from the United States and Europe have invested large amounts of money and time to travel to wild places in Africa to hunt rhino for their horn.

14. "Appendices I CITES."

The trade in rhinos and rhino horn is currently both legal and illegal, which creates a gray area that poses potential problems. According to the Convention on International Trade in Endangered Species (CITES), all populations of the five species of rhinoceros were listed as Appendix I species in 1977, which means that the species (rhinos) – or their parts or derivatives (e.g., intact rhino horns, powdered rhino horn) – cannot legally be traded internationally for commercial purposes.¹⁴ However, in 1995, as a result of the re-established and stabilized white rhino populations in South Africa and Swaziland, CITES down-listed the white rhino populations of these two countries to Appendix II, allowing for strictly moderated international trade in live animals to appropriate and acceptable destinations (i.e., zoos), and for strictly managed trophy hunting. Additionally, CITES had agreed to an exemption for Namibia



Anti-poaching Unit
at Phinda Private
Reserve, South Africa

by allowing an annual export quota of up to five black rhinos (and associated derivatives) to be taken by trophy hunters. In 2014, a license to shoot a black rhino in Namibia was auctioned off to an American hunter for \$350,000, with the proceeds going towards conservation efforts in that country.¹⁵

In 2014, the approximate black market value of rhino horn was reportedly USD 60,000 per pound or approximately USD 3,750 per ounce (this is equal to approximately USD 120,000 per kilogram or USD 120 per gram).¹⁶ In comparison, gold and platinum are both currently valued at approximately USD 1,260 and USD 950, respectively, per ounce.¹⁷ More recently, the price of black market rhino horn has fallen slightly. Based on EAL's Operation Red Cloud investigation, the wholesale price of rhino horn is ranging from USD 30,000 per kilogram or USD 30 per gram to USD 60,000 per kilogram or USD 60 per gram (or approximately USD 15,000-30,000 per pound or USD 935-1,870 per ounce).

15. Correspondent, "Winner of Rhino Hunting Auction."

16. Ripple et al., "Collapse of the World's Largest Herbivores."

17. "Commodities - Oil, Silver and Gold Prices - CNNMoney."

In spite of extensive conservation and law enforcement gains over the past 40 years, rhino poaching has spiraled out of control since 2007. South Africa in particular has been very hard hit as the country is home to the highest number and concentration of rhinos on the planet.

The impact that this surge in rhino poaching is having on humans can be categorized in three primary ways:

1. **The Game Rangers:** The men and women responsible for patrolling protected areas often do so with insufficient support and equipment, under difficult conditions, over vast tracts

- 18. Nuwer, "A Forgotten Step in Saving African Wildlife."
- 19. "Rhino Poaching Statistics Update | DEA."
- 20. "Mozambique | Data."
- 21. funded et al., "Untouchable?"
- 22. "International Tourism, Expenditures (% of Total Imports) | Data."
- 23. Africa, "Tourism."
- 24. Bale, "Breaking."

of land, and by putting their lives in danger. In the last decade, over 1,000 men and women have died – 80% were killed by commercial poachers or recognized militia groups – in the service of protected areas and wildlife around the world.¹⁸ Even when game rangers are successful in the apprehension of suspected poachers, the systems in place do not always guarantee that law enforcement personnel are protected. In South Africa, rangers can only engage suspected poachers in a firefight in self-defense and face severe penalties if this cannot be proven in court, especially if a suspected poacher is killed.

2. **The Poachers:** Since 2012, more than 950 suspected rhino poachers have been arrested in South Africa, excluding 2016 statistics which have not officially been released.¹⁹ The majority of these suspected poachers are Mozambicans who cross into the Kruger National Park (KNP - arguably South Africa's flagship protected area and home to Africa's largest rhino population) attempting to strike it rich. Mozambique's gross national income is USD 590 per annum so it is easily understood why economically destitute Mozambicans might consider crossing into the KNP to kill rhino.²⁰ Of course, the poachers killing South Africa's rhinos are not just Mozambicans. In 2010, a very active poaching syndicate involving South African veterinarians was broken up by law enforcement authorities; past suspects accused of involvement in rhino poaching who faced trial in South Africa's courts include a member of South Africa's National Defense Force, a police officer, and a lawyer. In the US, the owners of a South African hunting company have been indicted for selling illegal hunts to potential clients. In an important arrest and conviction, a Vietnamese national was sentenced to 30 years in prison for wildlife trafficking in 2011.²¹ It would appear that the lure of making a substantial profit is worth the risk to people from all walks of life when the targeted resource is so valuable.
3. **Eco-tourism and the Communities:** The most recent data provided by the World Bank reported that international tourism in South Africa contributed 5.7% to the country's GDP.²² Currently, South Africa's tourism sector represents more jobs than the mining industry and accounts for approximately 4.5% to the overall employment figures in South Africa.²³ Tourism has an obvious impact on communities adjacent to protected areas in South Africa, in the form of job creation and reliable income. With an unemployment rate of 25%, a job and reliable income in South Africa are cherished. Critically, the positive connection between conservation/wildlife, eco-tourism, and peoples' livelihoods has successfully been made and clearly disseminated, and is highly valued by these communities.

There is a strong argument to be made that the trade in rhino horn should be totally banned. There is also a conflicting argument from the pro-trade camp to allow managed international trade in rhinos and rhino derivatives.

Very controversially, on March 30, 2017, South Africa's constitutional court dismissed an application to appeal from the government to keep a national ban on the trade of rhino horn in place.²⁴ This ended a lengthy legal battle between rhino owners who want to be able to sell their reserves of rhino horn and the government's Department of Environmental Affairs, which placed a moratorium on the trade in 2009 after a rise in poaching. This decision would allow the legal sale of rhino horn within South Africa once regulations are put in place. This may also lead to exploitation of inevitable regulatory loopholes and the laundering of illicit rhino horn through the legal system of trade. Fortunately, the international treaty ban on commercial trade in rhino horns remains in place.

Rhino Horn in China

Chinese Obsession

A poem written by the famous ancient poet Li Shangyin during China's Tang Dynasty may be one of the best ways to describe the Chinese obsession for "mysterious rhino horns." The Chinese have long believed that the patterns found in rhino horns connect us to the deepest parts of our heart. Unfortunately, the Chinese affection for rhinos was not restricted to those beautiful poems or paintings from thousands of years ago.

"What a shame that I don't have
a pair of wings like a phoenix
so I can fly to my beloved one,
but at least our shared hearts
are deeply connected like those
mysterious rhino horns."

Li Shangyin

25. "Culture.china.com.cn."

26. Rademeyer, "Chinese Crime Rings and the Global Rhino Horn Trade."

27. "China Bans Rhino Horn and Tiger Bone."

It was believed in ancient China that white foam would appear if the liquid in the emperor's rhino horn libation cup had been poisoned. Hundreds of the most delicately carved libation cups from ancient times were cherished and passed on by generations of Chinese emperors. In the 2010 Spring Auction at Christie's in Hong Kong, a carved rhino horn libation cup from Emperor Kangxi received a bid of HKD 39,860,000 (USD 5,143,000), the highest ever recorded.²⁵



Rhino horn pendants

The myth is probably related to what is recorded in the most complete and comprehensive medical book ever written about traditional Chinese medicine, *Bencao Gangmu* (*Compendium of Materia Medica*) by Li Shizhen in 1597 during the Ming Dynasty. It says that rhino horn is good for curing headaches and colds, pimples and pus, and is even beneficial for those who have had strokes and heart attacks. In a more contemporary context, rhino horn is believed to be an effective detoxifying ingredient, and that it has a positive impact on cancers, hangovers, and for discharging all sorts of poisons from the body. The dramatic revival of Traditional Chinese Medicine under Chairman Mao Zedong in the 1950s and 1960s is partly responsible for this resurgence. According to Esmond Bradley-Martin – one of the world's leading experts on the rhino horn trade – one consequence of this revival was "a significant increase

in demand for rhino horn in China." Between 1982 and 1986, long after the 1977 international ban on trade in rhino horn, China imported at least 10 tons of the commodity.²⁶ In the early 1990s, rhino horn was removed from the official Chinese Pharmacopoeia.

Upon signing the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1990, China added the species listed in the CITES Appendices to its national protection measures. In May 1993, the China State Council issued a notice on the prohibition of the trade of rhino horns and tiger bones. The notice made it illegal to import or export rhino horn and tiger bones, and to sell, purchase, transport, carry, or mail rhino horn and tiger bones. This included a ban on using rhino horn and tiger bone for medicinal purposes.²⁷ Shortly after the State Council notice, the State Administration for Industry and Commerce issued another notice reaffirming the complete prohibition of selling, purchasing, transporting, carrying or mailing rhino horn and tiger bones and the derivatives thereof. In 2014, the death penalty could be handed down to those convicted of illegally buying or selling state protected endangered species and derivatives, including ivory and rhino horn products. Even after the

28. Last amended on November 1, 2015.

29. Interpretation of the Supreme People's Court on the concrete application of law in the trial of criminal cases of smuggling (September 10, 2014 and December 11, 2000).

30. NOTICE from the National Forestry Bureau on the monetary assessment of the value of smuggled rhino horns and its products from the criminal cases of damaging wildlife resources (May 18, 2002).

31. Kennaugh, "Rhino Rage: What Is Driving Illegal Consumer Demand for Rhino Horn."

32. Ibid.

33. Ibid.

34. Gao et al., "Rhino Horn Trade in China: An Analysis of the Art and Antiques Market."

35. Ibid., 346.

36. Ibid., 345.

most recent amendment to China's Criminal Law,²⁸ a conviction for the crime of smuggling and the crime of illegal purchasing, transporting or selling endangered wildlife, or the products thereof, includes a life sentence if the monetary value meets the guideline defined by the law. The degree of the sentence for each crime depends on the monetary value of the wildlife products concerned.²⁹ A specific decree was issued by China's State Forestry Administration regarding the assessment of the monetary value of rhino horns, assigning a value of RMB 250,000 (USD 38,700) per kilogram.³⁰

Regardless of the law and penalties, China has emerged as a primary consumer and participant in the illegal rhino horn trade, in a manner similar to Vietnam, a traditional rhino horn consumption country. As previously discussed, there is much evidence of the increase in trade of rhino horn in China, especially in the southwestern provinces of Guangdong, Guangxi, Yunnan, and Fujian, where the locals are more culturally connected to Vietnam. Rhino horn in China is not always used for medicinal purposes, but also as a product that represents social status or as a toy to show off among the newly rich.

A 2014 attitudinal survey of 2,121 people in Beijing, Shanghai, Guangzhou, Kunming, and Harbin, China, identified "two distinct markets for rhino horn in China, one for medicine and one for luxury products, with users behaving differently in each market."³¹ When asked why people buy rhino horn, 48.3% of respondents indicated mostly for medical purposes, 12.2% indicated mostly as a luxury good, and 21.3% cited both reasons.³² The study also found that about a quarter of all respondents claimed to not know that the purchase of rhino horn is illegal.

When questions about buying preferences were coupled with questions about rhino population levels, the effect of population on potential buyers for rhino horn as a luxury product was not significant at any price.³³

According to another recent study, the art and antiques market in China has grown as a significant investment alternative for parking funds, hedging inflation, and diversifying portfolios.³⁴ In this vein, Chinese media have inadvertently, or purposely in some cases, identified rhino horn as an excellent investment opportunity – the value being "tied more to the rarity of the raw materials rather than the artistic nature of the item."³⁵ Before official government intervention in December 2011, rhino horn products were still being auctioned regularly. Media coverage of high dollar value rhino horn auctions helped drive the perception that collecting rhino horn is a profitable investment as well as a symbol of status and worth.

A correlation analysis confirms that between 2000 and 2011, the volume of rhino horn auctioned in China was significantly correlated with the rate of annual rhino poaching in South Africa.³⁶

Does Rhino Horn Cure Anything?

According to the *Compendium of Materia Medica* by Li Shizhen in 1597, rhino horn was a key ingredient in Traditional Chinese Medicine (TCM) and prescribed:

To cure devil possession and keep away all evil spirits and miasmas. For gelsemium poisoning. To remove hallucinations and bewitching nightmares. Continuous administration lightens the body and makes one very robust. For typhoid, headache and feverish colds. For carbuncles and boils full of pus. For intermittent fevers with delirium. To expel fear and anxiety, to calm the liver and clear the vision. It is a sedative to the viscera, a tonic, antipyretic. It dissolves phlegm. It is an antidote to the evil miasma of hill streams. For infantile convulsions and dysentery. Ashed and taken with water to treat violent vomiting, food poisoning, and overdosage of poisonous drugs. For arthritis, melancholia, loss of the voice.

A study was performed by researchers at Hoffmann-LaRoche, a pharmaceutical company, in 1983 and another 25 years later by the Zoological Society of London. These studies arrived at the same conclusion: Rhino horn contains no medical properties. Rhino horn is similar to fingernails and is composed of agglutinated hair containing proteins like keratin.³⁷ Additionally, research conducted in 1990 at the Chinese University of Hong Kong was unable to produce any evidence that rhino horn has medicinal value.³⁸

Rhino horn contains no medical properties.

37. Beech, "Killing Fields."
38. Braun and Braun, "Rhino Horn."
39. Beech, "Killing Fields."
- In the recent past, a rumor circulated that a high-level Vietnamese government official's cancer was cured with rhino horn powder. This sparked a frenzy for rhino horn in Vietnam, which also spilled over to China. This rumor forced Lixin Huang, the President of the American College of Traditional Chinese Medicine (ACTCM) and Council of Colleges of Acupuncture and Oriental Medicine (CCAOM), to issue a statement in August 2011 indicating that the use of rhino horn as a cancer treatment is non-traditional, unproven, and not approved by the clinical research in TCM.³⁹

Regardless of the evidence to the contrary, many Vietnamese and Chinese consumers prefer to believe the lore of traditional medicine and continue to consume rhino horn for medicinal purposes.

Illegal Supply Chain

40. Johnson, "Illegal Trade Seizures: Rhino Horn - Mapping the Crimes."

41. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)."

42. Utermohlen and Baine, "Flying Under the Radar | Wildlife Trafficking in the Air Transport Sector."

43. Ibid.

It is known that rhino horn trafficking is generally undertaken by transnational organized crime networks, many of which are involved in other large-scale criminal activities. Based on seizure, theft, and conviction data, as well as data on the nationality of those involved in the trade, rhino horn is moving primarily from South Africa, Mozambique, and Namibia to Vietnam, China, and Hong Kong SAR.⁴⁰ Transit routes to Vietnam and China vary, but include movement through other central and eastern African countries, as well as India, Thailand and the Philippines. Almost all seizures made within other Asian countries involve rhino horns in transit to Vietnam and China.⁴¹

According to C4ADS Air Seizure Database, 85 seizures of rhino horns were recorded in airports between January 2009 and August 2016.⁴² China and Vietnam were the most prominent destinations with 25 seizures destined for China with a total weight of 548 kilograms, and 18 seizures destined for Vietnam, with a total weight of 466 kilograms. Based on this data, rhino horn traffickers tend to send or take their contraband on circuitous routes through airports with lax screening procedures, and also exploit legal loopholes for the import and export of taxidermy to smuggle rhino horn to destination countries.

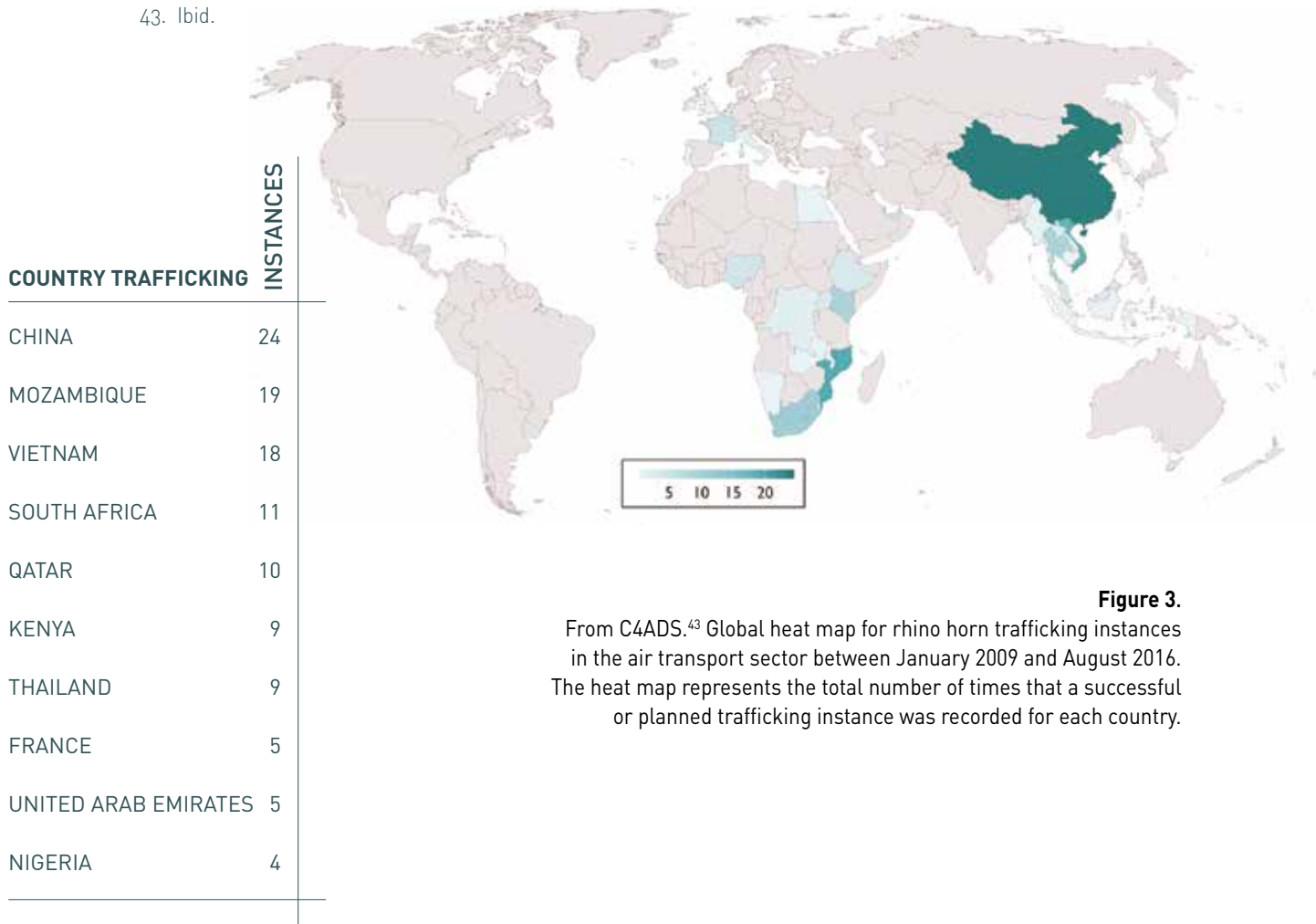


Figure 3.

From C4ADS.⁴³ Global heat map for rhino horn trafficking instances in the air transport sector between January 2009 and August 2016. The heat map represents the total number of times that a successful or planned trafficking instance was recorded for each country.

44. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)."

45. Ibid.

46. Ibid.

47. Johnson, "Illegal Trade Seizures: Rhino Horn - Mapping the Crimes."

48. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)," 5.

49. Rademeyer, "Tipping Point - Transnational Organized Crime and the 'War' on Poaching, Part 1."

50. Ibid.

51. Ibid., 4.

52. Rademeyer, "Tipping Point - Transnational Organized Crime and the 'War' on Poaching, Part 1."

A CoP17 CITES report confirms South Africa, Vietnam, China, and Mozambique as the countries most involved in the rhino horn trade based on seizure data (including all means of transport).⁴⁴ These four countries accounted for 70% of global seized rhino horn for the six-year period 2010 through 2015.⁴⁵ Hong Kong SAR is ranked number five after Mozambique. There is evidence that Vietnam is not just a consumer, but also functions as a supplier of rhino horn to China. At least nine seizure cases made in China since 2010 noted Vietnam as the source of the rhino horn. Various market surveys in Vietnam have identified Chinese citizens as the primary consumers of rhino products sold in Vietnamese markets.⁴⁶

Further, seizure and arrest data exposes Chinese and Vietnamese nationals as being deeply involved throughout the rhino horn supply chain, not just in their home countries.⁴⁷ Through 2015, in South Africa and Mozambique, at least 59 nationals of Asian countries were "arrested since 2010, including 35 Vietnamese, 21 Chinese, two Thais and one Malaysian."⁴⁸

The networks that traffic rhino horn and other wildlife products are ruthlessly efficient, imaginative, endlessly adaptive and free of the strictures imposed by legal jurisdictions, bureaucratic regulations and international boundaries. They are everything that the government bureaucracies and law enforcement agencies rallied against them are not. Time is of the essence and the onslaught on wildlife and the environment is only worsening. – The Global Initiative Against Transnational Organized Crime ⁴⁹

Corruption among government officials working along the rhino horn supply chain is rampant.⁵⁰ Even when governments and their representatives are committed to tackling poaching and trafficking, their strategies are fragmented and "often led by environmental agencies with little political power and no mandate to investigate or gather intelligence on organized crime networks."⁵¹ The transnational organized crime networks involved in wildlife trafficking limits regionally and nationally-based law enforcement authorities abilities to effectively investigate and prosecute the key network middlemen. As a result, trying to address transnational rhino horn trafficking networks in isolation from within rhino range states or destination countries is ineffective.⁵²

Chinese Black Market

53. "TRAFFIC - CoP16-Table."

54. Emslie et al., "African and Asian Rhinoceroses - Status, Conservation and Trade: A Report from the IUCN Species Survival Commission (CoP17)."

55. Ibid.

56. Ibid.

All trade in rhino horn is technically illegal in China. Regardless, two distinct markets for rhino horn exist on the black market, one for medicine and one for luxury products.⁵³ As discussed, rhino horn sold on the black market for as much as USD 60,000 a kilogram in recent years. Based on various economic analyses, the growth of a wealthier, urban middle class in China and other Asian nations has sparked this market for luxury goods, including rare wildlife products like rhino horn.⁵⁴

Although rhino horn products can be found in shops throughout China, as was identified by EAL investigators during the Blending Ivory investigation in 2015, recent market surveys have shown that open display and sale of rhino horn is no longer the primary means by which the black market functions.⁵⁵ The market has partially moved to the internet, first through standard social media outlets and then to more exclusive social media platforms that function on an invitation-only basis.⁵⁶



Trader in China

Legalizing the Rhino Horn Trade

There is a long-standing debate as to whether some sort of regulated international commercial trade in rhino horn should be legalized. Proponents of legal commercial trade believe that flooding the market with sustainably sourced rhino horn will reduce the price of horn, which will then reduce incentives for poachers to kill rhinos. This approach assumes that consumers will opt for less expensive, legal horn as opposed to illegal, poached rhino horn. Opponents of the trade cite a multitude of issues with a legal rhino trade including enforcement difficulties of trade regulations and licensing across multiple countries, the illegal trade undercutting the legal trade and laundering potential, and the unpredictability of trader and consumer responses to trade legalization and the resulting unintended demand consequences associated with those responses.

Given that rhino horn does not actually have any medicinal properties, legalizing trade in rhino horn could be analogous to admitting that it actually does have curative properties. This is another reason why many oppose the legal trade in rhino horn. The ultimate problem is that no one can guarantee that legalizing the trade will not escalate Asian demand for rhino horn.

Regardless, South Africans will soon be able to legally buy and sell rhino horn within the country. The South African constitutional court dismissed the Department of Environmental Affairs' (DEA) application to appeal a lower court's decision that overturned a moratorium on the rhino horn trade that has been in place since 2009. It is important to note that the international ban on the commercial rhino horn trade is still in place.

57. Bale, "Breaking."

58. Baker, "Legalizing the Sale of Rhino Horn May Only Endanger the Animals More."

South Africa's DEA has issued draft regulations to govern the coming trade. The problem is that there is basically no domestic market for rhino horn in South Africa. Although traders may sell the horn legally to buyers within South Africa, it can generally be assumed that the horn will eventually be smuggled out of the country and resold on the black market in Asia. The draft regulations as written already appear to supply loopholes that could facilitate illicit trafficking of rhino horns.⁵⁸

Ultimately, the results of South Africa's new domestic market will likely influence the international legalization debate going forward. It is EAL's feeling that legalizing trade is likely to collapse international attempts to protect rhinos.

OPERATION RED CLOUD

The Investigation

Although completely illegal for many years, rhino horn is still present and available for sale throughout China. The prevalence of rhino horn in China and other Asian countries is disheartening and there are many questions associated with why and how the black market for rhino horn continues to thrive. Current and past conservation efforts targeting both supply and demand have been successful in some respects, but are not enough. EAL, therefore, has targeted its intelligence and investigative expertise to catalyze and inform action at various levels to fundamentally disrupt the illicit rhino horn supply chain from Africa to Asia. **Operation Red Cloud** is part of this strategic initiative.

EAL designed **Operation Red Cloud**, a comprehensive 11-month undercover investigation in China and Vietnam, to target the latter part of the rhino horn supply chain. Given that Vietnam appears to have become the primary transit country for rhino horn bound for China, EAL determined it was essential to expose and map the networks, the players, and the means (or *'modus operandi'*) by which rhino horn is trafficked through Vietnam, and into and through China.

Due to the sheer pervasiveness of the rhino horn trade in both Vietnam and China, EAL investigators planned and executed an expansive investigative scope of work for **Operation Red Cloud**. This included multiple field missions in China and Vietnam. The investigation sites visited by the EAL team are depicted in Figures 4, 5, and 6.

The EAL investigative team used various techniques and stories to establish trust when approaching potential Persons of Interest (POIs). The teams also made extensive use of undercover recording and video devices in order to fully document all investigative interactions. The investigation was designed so that all field missions were conducted without completing any illegal transactions.

The locations and POIs targeted in this investigation



Figure 4.
Operation Red Cloud
investigation sites
(yellow dots).

were chosen primarily based on prior EAL and partner investigations in both Vietnam and China, as well as on data and information gathered as the investigation progressed. A list of the Persons of Interest documented during this investigation, represented only by an internal identification number, may be found in Appendix A of this report.

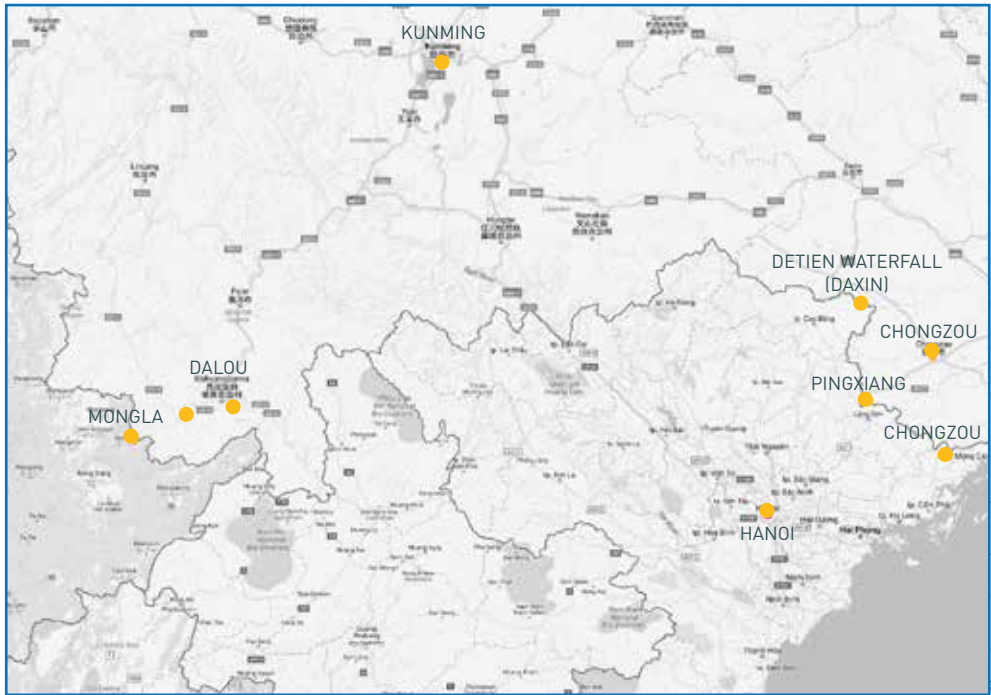


Figure 5. Cities and towns in Vietnam, Yunnan Province, and Guangxi Zhuang AR visited by investigation team (yellow dots).



Figure 6. Cities and towns in Guangxi Zhuang AR and Guangdong Province visited by investigation team (yellow dots).

Results: How Rhino Horn Makes its Way to Chinese Consumers

VIETNAM

Hanoi

59. <https://wildlifejustice.org/cases/nhi-khe>

EAL's **Operation Red Cloud** team headed to Hanoi, Vietnam based on information garnered during a joint operation with the Wildlife Justice Commission (WJC)⁵⁹ earlier in 2016. This operation had identified a significant wildlife trafficker, a particular expert in the rhino horn trade, working out of a village near Hanoi. He was the single largest trader met by WJC's investigators, having posted over 3500 images of wildlife products for sale over a 12-month period and offering investigators USD 1.87 million worth of rhino horn products during prior interactions.

In October 2016, the EAL team met with this wildlife trafficker again, internally identified as Person of Interest (POI) number 170-9, who introduces the team to POI 170-10, another dealer whom 170-9 knew to have available rhino horn products for viewing and sale.

While driving to meet the second dealer, 170-9 said that in order to ship rhino horn products to China, the dealer he knows charges a 30% deposit with the remaining cost due upon receipt of the rhino horn at its destination in China. This scenario has caveats, though, depending on whether the buyer is very well known to the seller, whether the item or items being shipped are large or small, and whether the item or items only need to pass through the China-Vietnam border into Guangxi or need to be shipped to other Chinese provinces.

He indicated that sellers are using a courier service called ZTO Express, but that this service generally only "works with small crafts," possibly to just move products over the border. In the same discussion, quoted below, 170-9 indicates that Vietnamese sellers do often ship to the Fujian, Zhejiang, and Yunnan provinces.

Discussion with Dealers in Hanoi

I: How about now? Price is important. If we find something interesting [to purchase] from you. Can you ship for us?

170-9: Yes, I can ship it to the China-Vietnam border after customs. Where do you want me to ship to?

I: Guangzhou.

170-9: Guangzhou. There, we need to charge the cost from you first. If it's just to the border, we will charge deposit first. You pay the rest when you see it. At the beginning, I need to charge you in advance. After we have few deals, it can be (negotiable)...

I: So we pay after you pass the border?

170-9: Yes. The deposit must be paid here.

I: How much is it?

170-9: The deposit is 30% of product value.

170-9: Small craft are easy to smuggle. The whole tusk is another story. We use ZTO Express. It works with small crafts.

We often ship east to Fujian, Zhejiang, and Yunnan.

I: Have you shipped to Guangzhou?

170-9: Yes.



Rhino horn offered to EAL's investigators

raw pendants, carved pendants, cups, and a couple of horn tips, the two POIs took the team to 170-10's warehouse to view a whole rhino horn he had available. The horn weighed 3.8 kg and was 44 cm long.

I: How long did it take?

170-9: 3 to 5 days.

[...]

170-9: How much is the shipping fee for 1kg of goods if we send the whole one (horn or ivory) to Guangdong?

170-10: RMB 7,000 (USD 1,040).

[...]

170-9: Where do you need it shipped? Guangzhou?

I: Fujian.

170-9: For ivory, sometimes I ship hundreds of kilo.

I: Always with shipping warranty?

170-9: I guarantee the delivery to Guangzhou.

I: How much have you successfully delivered?

170-9: Several tens of kilos (of rhino horn).

For ivory, hundreds of it.

[...]

A man arrives with a box of rhino horn products in a black plastic bag containing many pieces of rhino horn soaked in oil.

I: It's a lot of oil

I: It (rhino horn) needs to be soaked in oil.

170-10: I find this cup in the trash at the workshop

170-10: This one for grind and drink.

170-9: The other guy has a 18g tip. [...]

170-10: This one is over 20gr. Let's see if they buy something.

After this discussion and viewing rhino horn products available for sale from 170-10, including many

POI 170-9 A Wealth of Information on Wildlife Trafficking

EAL's investigative team met with POI 170-9 on multiple occasions under the premise of partnering with him, and accessing his connections in Africa, to import rhino horn and ivory to China. These discussions highlight the wildlife trafficking trends identified and observed by the EAL team in both Vietnam and China. The following are transcripts from the last meeting with 170-9 in Lang Son, Vietnam.

170-9: *My friend got caught about half month ago. 2 tons of ivory.*
I: *The friend from Ho Chi Minh City?*
170-9: *No. Another one.*
I: *Where did he get caught?*

Law enforcement 170-9: *He ran away. But he still got caught after half a month.*
corruption *After 2 days, he was released.*
I: *He paid?*
170-9: *Yes. Or he would be in jail for 7 years.*
I: *How about the ivory?*
170-9: *You can get it out.*
I: *How much did he paid?*
170-9: *4 Million of RMB for his freedom (USD 590K).*
I: *When did he get caught? This year?*
170-9: *Yes.*
[...]

Purchasing wildlife I: *The second way (to do business), we can be partners, each of us*
contraband from *invest a certain amount of money and buy directly from Africa.*
Africa *Do you pay it first and wait for them to ship the batch, or do*
they come to you to sell?
170-9: *I pay it first, it's cheaper when I buy it and it's shipped*
to here.
I: *How do you make sure of the quality?*
170-9: *I used to fly there directly, check the goods then back*
to Vietnam to receive the goods.

Direct Connections I: *Do you have direct contact with the vendor? Or does the vendor*
in Africa *also get something from others?*
170-9: *Direct from vendor.*
I: *What happens if something goes wrong before arriving in*
Vietnam?
170-9: *After its arrival in Vietnam, our man needs to take the*
responsibility.
I: *Are you also partners with each other? Who can bail you out if*
something goes wrong?
170-9: *What do you mean?*
I: *I mean if something goes wrong before arriving at the Hanoi*
airport?
170-9: *It's their responsibility.*
I: *They will pay us 100 % back?*
170-9: *Yes.*
I: *Do you have a close relationship with them?*
170-9: *Yes.*
I: *How much can they ship, for example, rhino horn?*
170-9: *Tens of kilos.*

Shipping from Africa I: *It's still possible to ship 20 kilos?*
170-9: *Yes. Every batch is around 20 kilos, some are with 30 kilos.*
I: *Is it packed with cardboard?*
170-9: *Yes.*

[...]

I: How much should we prepare if we want to be a partner? (How much money do we need?)

I: How much if we buy directly from Africa.

170-9: How much you need to prepare...Depends on how much you want?

I: Yes, how much for 1 kilo?

170-9: You can earn RMB 5,000 to 10,000 from 1 kilo (USD 750 to 1,500).

170-9: If you can find an acceptable supplier, you can also arrange the courier by yourself. We can be the recipient for you in Hanoi. If you have Chinese customers, you can be a vendor by yourself.

I: Which route should we take? Sea or air?

170-9: Sea shipping takes about 1 month.

I: Can you accept sea shipping?

170-9: Yes.

I: How about the price if I have my own suppliers, is it still \$5,000 RMB per kilo?

170-9: Every batch varies the price.

[...]

I: After the goods leave Africa, will they be shipped to China?

170-9: No.

I: Only Vietnam?

170-9: Yes.

170-9: There is a Chinese who lives in Malaysia, who cannot afford it because the total shipping is too high for him.

I: You mean he gets a better price if he waits for your goods after the Hanoi customs?

170-9: Yes. Because he cannot get the price I get in Africa.

[...]

(Audio not good; speaking about customer who did no pay.)

I: In last year? (170-9: Yes) And he took the goods? (170-9: Yes.)

I: How much deposit did he pay?

170-9: 30%.

I: How much weight was this batch?

Price of tiger teeth - Li: Tiger teeth. 10 sets. One set...RMB 140,000 (USD 20,600).

large quantity

I: Is this the same person who was beaten up by you?

170-9: That one...that is just me helping my friends, not the same thing.

I: The friends wanted to keep the goods for his own good.

170-9: Yes.

I: In china, some police will pay the people who give the message. Some couriers will check their shipping goods. How could you prevent such couriers?

170-9: We keep a good relationship with the courier.

I: So you will let them know in advance.

Use of courier 170-9: Yes.

services

[...]

I: Don't you say tiger is easier?

170-9: Yes. There's no so many people doing tiger.

I: The tigers that you have, are they raised on a farm or from the wild?

170-9: Both.

I: Is there a price difference?

170-9: It's the same.

I: Why? The wild ones should be more expensive.



Pingxiang,
China-Vietnam border

Price of tiger bone

I: *Where did you get the wild tiger?*

I: *From Laos and Thailand?*

I: *You have young and old tigers?*

170-9 *nodded.*

I: *When it comes to shipping tiger bones (to China). A whole set. How do you manage it?*

170-9: *With a man.*

I: *With car? (170-9 nodded) Directly to Guangzhou? (170-9 nodded again) The whole set would be a bit complicated.*

170-9: *Yes.*

I: *Are there clients who demand a certain part only?*

170-9: *Yes.*

I: *Is the part more expensive?*

170-9: *It's about RMB 10,000/kilo (USD 1,500). RMB 9,000/kilo for whole set (USD 1,325).*

[...]

170-9: *Now I am always careful about it. If it's dangerous, I would not do it anymore. The profit is too little. Once you get caught... it takes a lot of time to recover.*

I: *People who earn money usually are quiet.*

170-9: *My friends here think I am doing paint business. Because I was doing home decoration.*

I: *Yes, I remember.*



Trafficking route through Guangxi identified [...]

I: Is that possible, that the goods be delivered first to Puzhai, via Pingxiang, and finally to Nanning without being checked?
170-9: You should take the route via Longzhou. There is no inspection there.
I: Not via Pingxiang? (170-9: Yes.) Directly to Longzhou?
170-9: Yes. (I: then?) Daxin.
I: Daxin... is it a big city? (170-9 nodded) Then all the way to Nanning?
170-9: Yes.
[...]

I: Do you think the inspection here in Vietnam will be more often?
170-9: No. They just do it from time to time.
I: How often?
170-9: Once in 6 months.
I: If the goods can arrive here safely, then there will be no problem.
170-9: Yes.
I: Do you need visa to visit China? Would it be difficult?
170-9: If you have the pass.
I: How long does it take to get the visa?
170-9: 3 to 5 days.
I: Do you need to go to Pingxiang for delivery?
170-9: No.

I: When the bulk goods arrive, where do you suggest to check the goods?

170-9: Hanoi.

R: Where? Last time we met...?

170-9: We often change the meeting point.

I: Do you often collaborate with Fujian people?

170-9: Yes.

I: Where is your account? In China or Vietnam?

170-9: Both.

[...]

I: At the beginning, how much did he ask you to be partner? How much capital did you prepare?

170-9: It depends, depends on how much goods at that batch. 50/50. Sometimes I think the batch is too small, I did not join. Sometimes he came to me. If I think it's proper, I will invest.

I: So you have choice?

170-9: Yes.

I: Did he make a lot of fortune? Billionaire?

170-9: Yes. About 2 or 3 years ago, he could make 100,000-200,000 per day (USD 15,000-30,000).

I: VND or RMB?

170-9: RMB.

Banking on impending extinction of rhinos

I: How long do you think this business can run?

170-9: 5 to 10 years.

I: Well, rhino horn?

(170-9 nodded)

I: Do you mean there's no profit or no rhino horn after 10 years?

170-9: There will be no rhino horn (in 10 years).

I: But the price will be higher.

170-9: Yes.

Chinese are the primary market for rhino horn

I: It depends on the market. Who do you think will buy rhino horn as medicine, Vietnamese or Chinese?

170-9: All Chinese. 80% of Chinese.

I: Only 20% Vietnamese? How about Taiwan and HK?

170-9: Yes, some of them, but most of them buy from China.

I: How about the Chinese in Malaysia?

I: Is his last name Liu?

170-9: No. He often asked me to visit Kuala Lumpur.

I: Why?

170-9: He wanted me to buy the goods.

I: And shipped to Vietnam?

170-9: Yes.

I: It's nothing.

170-9: The quality is not nice.

I: Is that old stuff?

170-9: It's new. New Ivory.

I: Yellow or white?

170-9: Yellow. Mixed actually.

Discussion with Dealers in Hanoi (continued)



Wildlife trafficker
in Vietnam

170-9 removes the horn from a black plastic bag.
Man's voice: *It gets mold because of humidity.*

Man's voice: *Boil some water.*

Man's voice: *Get a brush to get rid of the mold.*

170-10: *I do have a weight. It's 3.8 kg but I can weigh it now.*

170-10: *3.8 kg. It lost some weight compared to the last time I weighed it.*

170-9: *They want to see the normal product only.*

170-9: *Do you have more goods?*

170-10: *No, not much. If I had more I would be busy with cutting and crafting. I don't have enough supply to sell [right now].*

170-9: *Lately we do not have so much stock.*

I: *Why?*

170-9: *Lately it becomes very difficult to ship the goods to here (Hanoi).*

I: *From Africa?*

170-9: *Yes.*

I: *Do you ship by air transport or sea shipping?*

170-9: *Sea shipping.*

I: *Air transport? Will your man travel along with the goods?*

170-9: *Yes.*

[...]

Discussing the whole horn for sale after leaving the warehouse.

170-9: *Lately there is no supply, therefore the price is higher. Next*

month we will have another batch arriving.

I: *You mentioned earlier, that the consignment is RMB 120,000 (USD 17,600) per kilo, right?*

I: *His consignment for RMB 120,000 is really cheap, you should consider it.*

POI 170-9 also explained how he and his partners take care of customers that do not pay after they have received their goods.

Discussion with Dealer in Hanoi (continued)

170-9: *Many Chinese came to buy but did not pay. My friend from Fujian took RMB 7 million of goods but did not pay me. Another guy owes me RMB 2 million. I went to Pingxiang to find him and bring him to Vietnam. He was born also in Fujian.*

I: *What did you do with him?*



Rhino horn pendant

170-9: We beat him up, and sent pictures to his colleagues, his wife... after 3 days, they paid up. He came to see my goods and then cheated me.

I: Does he live in Pingxiang?

170-9: No, he just came to check the products.

I: How do you know him?

170-9: A friend introduced him.

I: I do not get it. How can they take the goods without paying first?

170-9: We did business for a long time, several years.

I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

I: I do not get it. How can they take the goods without paying first?

170-9: We did business for a long time, several years.

I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

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I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

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I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

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I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

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170-9: We did business for a long time, several years.

I took him as buddy. Then he took the goods and ran away. However, we know his family, where do his son and daughter study. He can't escape.

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Lang Son - Border Town, Vietnam

EAL investigators also traveled to Lang Son in northern Vietnam where they met POI 170-11, a trafficker offering exotic wildlife fare, including civet, pangolin, wild goat, bear paw (upon request), tiger balm, and other wildlife. One particularly interesting product offered by 170-11 is a large jug of tiger cub wine made by the owner himself, where the tiger cub is floating in the wine. In addition to owning a restaurant for 13 years, 170-11 has been dealing in the sale of other wildlife products, including rhino horn, for the past 6 years.

Discussion with Trafficker in Lang Son

I: What is this?

170-11: It's a fake rhino horn? I'll show you a real one, here (shows the photo). I am trading these things, this is my job. And here is the photo of the tiger cub you've seen in the wine jar.

I: Did you make it yourself or did someone help you?

170-11: I did it myself. I know the job (shows the photos). I processed it with my hands in the backyard. Then I cooked the tiger balm. This is the photo of me cutting tiger balm in pieces.

I did all of these just behind my house. I can give you some to try, mix with wine and drink. I have a lot of Chinese customers. Tiger balm made by myself has good quality, very good for health.

[...]

A photo of a rhino horn is on screen.

I: How much is this horn?

170-11: This is the whole horn, 2.09kg.

I: How much is a kg now?

170-11: I have only a part of that one left, the best part, the tip. In the past the tip is sold at 110 - 120 million VND/100g (USD 4,900 - 5,300). I can sell it to you now for 90 million VND/100g (USD 4,000).⁶⁰

[...]

170-11 gets the rhino horn out of the bag and shows it to the team.

I: How much in weigh is this one?

170-11: 343 g.

I: All these pieces have the same price?

60. Oanda Currency Converter: Site used for all currency conversion within this report. Note that the price conversions are rounded or approximated and the true conversion rates fluctuate daily.



Rhino horn offered to EAL'

areas, particularly the areas bordering China's Guangxi Province, caters significantly to Chinese consumers. This includes Chinese tourists, but also consumers that can be reached via WeChat and other online platforms, and via cross-border familial or closely-held connections.

170-11: *The tip is more expensive. This one is from a big horn, which was 4 to 5kg in total.*

I: *Does it come from Africa?*

170-11: *Yes, it's from Africa.*

I: *Did you go to Africa, hunt the animal, and bring it back?*

170-11: *(Ignores the question.) Eat, eat the tiger balm I gave you. It's good for your health, for muscle and bone.*

I: **How about the rhino horn? Can you ship it to China?**

170-11: **Where in China?**

I: **Guangzhou.**

170-11: **You can bring it home easily. You just cut it into small pieces and [carry it] out in your pocket. No one can find it. No fear. People even can bring the whole horn in hand luggage. With this piece, you just cut into two then carry in your small bag. Nobody will search for it.**



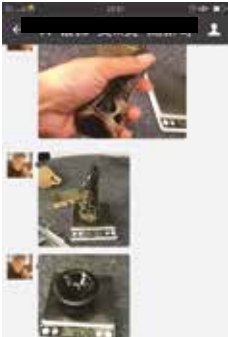
YUNNAN PROVINCE, CHINA

Jinghong, Xishuangbanna

Jinghong is the capital city in Xishuangbanna, an autonomous prefecture bordering Myanmar and Laos in Southwest Yunnan Province. On the first day in Jinghong, the EAL team's driver led them to POI 28MY-32, a friend of his who turned out to be a major rhino horn (and ivory) dealer, most likely with direct connections in Africa. 28MY-32 is a direct supplier of rhino horn to Xianyou and Beijing and other primary markets, making him a new and significant link in the supply chain that culminates in China's largest cities.

In POI 28MY-32's office, several tall safes stood stocked full of ivory and rhino horn products. He showed the team a number of rhino horn products including tips, slices (plates), carved products, and raw off-cut material. The products were still oily from cutting and processing in his own workshop. His samples included two collectable-quality beaded bracelets, the off-cut from making a bowl, nine slices ranging from 30-70 grams a piece (from one horn), and a whole rhino tip weighing 154 grams. The bracelets were priced at RMB 950/g (USD 140/g) and the

horn tip at RMB 530/g (USD 78/g). The uncarved plates cost RMB 480/g (USD 70/g and the off-cut RMB 180/g (USD 26/g). 28MY-32 purchases whole horns for his business at approximately RMB 180,000/kg (USD 26,500/kg).



Custom carvings, primarily the plates, take approximately one and one-half days and costs an additional RMB 500-600 (USD 73-87) per piece. One rhino horn can be cut into 20 pieces plus the tip. Many of 28MY-32's customers pay via Ali-Pay and he ships the products directly to them via courier.

According to 28MY-32, he sells rhino horn off-cut (scraps) to a general manager at a Tong Ren Tang location in Beijing. Tong Ren Tang is a Chinese pharmaceutical company (see Appendix C for more information). He needs someone to buy the off-cut because he generally produces crafts from two whole rhino horns a month.

Dalou - Border Town



Dalou is a small town bordering Myanmar opposite the city of Mong La. Mong La is a small, Las Vegas-like city offering gambling, prostitution, and money laundering, among other illicit activities, and has become another key center for the trafficking of wildlife into China. In a shop near the border, EAL investigators met POI 26MY-28 who introduced them to 27MY-29 after inquiring about rhino horn products. She first showed them 27MY-29's WeChat album that included ivory and rhino horn products from raw material to carved pieces, as well as off-cut from carving.

POI 27MY-29 has a large stock of rhino horn products imported from Myanmar. He offers the items for RMB 700/g (USD 103/g). He has his own carving workshop and offers custom carving services in addition to finished products. He normally requires customers to pay up front in order to have the goods shipped from the Wa State (a *de facto* autonomous region in Myanmar). According to 27MY-29, the unstable situation in Myanmar makes it difficult to import raw materials (ivory and rhino horn in his case).



WeChat Exchange with Dealer in Dalou

I: [...] We want to buy some, your WeChat album is nice. What can you recommend.

27MY-29: What would you like to buy?

27MY-29: I have jade, ivory and rhino horn.

27MY-29: Please be assured that the price will be very reasonable. The goods will be good quality and guaranteed for refund; exchange available.

[...]

27MY-29: [...] If you see anything in my WeChat album you like, I can even customize it for you. No problem. You can refund or exchange if you don't like. The price is also very good. My price is cheaper than in Mong La.

I: [...] So how do we order, pay you? How do you send to us? We would like to know more. Thanks.

27MY-29: Yes. No problem. We usually take the payment up front, then send out the goods. Within one week, if you have any doubt of your purchase, you can return back to me.



WeChat conversation with a trafficker



[...]

27MY-29: What kind do you want, bangle or pendants?
I: Rhino horn pendants.

27MY-29: I supply to Mong La traders at RMB 700/g (USD 103/g). They sell it for RMB 900/g (USD 133/g). If I ask them for some pieces for you, they have to charge me RMB 700 or 800/g (USD 103-118/g). This is not profitable. For rhino horn, how about I just send it to you from Wa State directly. What do you say?

27MY-29: The trader in Mong La also needs a profit. Rhino horn's black part is higher in price. Those with yellow color are cheaper.

I: I prefer to meet up or meet with your sister. So we can have a trust between us.

27MY-29: My sister's stall is in Dalou, opposite side of China/Myanmar Jade, the wholesale market, No. [redacted].

27MY-29: Don't worry. I will guarantee the quality. These things are expensive. Don't worry. I can give you refund and exchange if you don't like the good.

27MY-29: If you still have doubt. I can offer you to pay only the half of the cost, if you return the good, I return you the money.



The EAL team had a number of conversations with various shop owners within the duty-free market area at the China-Myanmar border in Dalou. Vendors discussed the many mountain trails going across the border through which contraband can be smuggled. People travel back and forth using motor-bikes or on foot over the small trails. **According to one of the vendors, Myanmar authorities ignore the smuggling because everyone generally wants the Chinese to cross the border and spend money. The Chinese authorities in the area tend to be relatively relaxed about smuggling or are personally involved in the smuggling.**

Kunming - Capital of Yunnan

Kunming is the capital and largest city of Yunnan Province. It functions as a transportation hub between southwest China and Vietnam, Myanmar, and Laos (border countries). According to a number of sources, Kunming authorities have been more aggressive recently, arresting those involved in the movement and sale of illicit wildlife products. As a result, vendors are very cautious about discussing the availability and sale of these products, rhino horn in particular. This did not mean that rhino horn was not available in Kunming, as evidenced by the following conversations.

WeChat conversation with a trafficker



Dealers pay RMB 50 (USD 7.35) to children

aged 10-15 to smuggle products through

the Hekou port because kids can avoid jail

time by paying a small fine.

POI 27MY-25, a shop owner in a Kunming flower market, told the investigators that contraband is primarily smuggled from Vietnam. He mentioned that the main smuggling portal in Kunming is Hekou Port. Dealers pay RMB 50 (USD 7.35) to children aged 10-15 to smuggle products through the port because kids can avoid jail time by paying a small fine. When the EAL team inquired about available rhino horn, he called a friend on the spot to ask about his stock and pricing. He immediately received a few images of a rhino horn piece, a black horn tip priced at RMB 650/g (USD 95/g).

Discussion with Vendor in Kunming

27MY-25: *Rhino horns off-cut will cost a bit more than RMB 300/g (USD 44/g) now.*

I: *Over RMB 300/g for off-cut?*

27MY-25: *For retail, yes.*

I: *Is the price stable these years?*

27MY-25: *It went up to over RMB 400/g (USD 59/g) when the highest.*

I: *It seems to be more expensive here in Yunnan.*

27MY-25: *If only a small amount of the off-cut, it will be RMB 300/g. If you want more, could be under RMB 300, around RMB 260/g (USD 38/g). For (carved) products, as beads we've been talking about, the black ones can be very expensive. Better ones can cost over RMB 1000/g (USD 146/g). For bracelets are around RMB 800-1000/g (USD 117-146/g).*

[...]

I: *If I buy here, can I bring them (rhino horn items) back to Taiwan?*

I: *Can you deliver to Taiwan?*

27MY-25: *Yes. How many are we talking about?*

I: *It should be fine if it's just one or two bracelets.*

27MY-25: *You can just wear them on your wrists. If you want, I can ask my friend to bring some products. Like beads, and rhino horn, too.*

I: *From where? Vietnam?*

27MY-25: *Yes, Vietnam.*

I: *I thought they come to Guangxi. How does it get here?*

27MY-25: *Yes, Vietnam, Guangxi, Yunnan border and Huangsha. They brought them themselves. We wouldn't dare.*

[...]

I: *Right. And rhino horn beads are expensive.*

27MY-25: *Correct. As I said, the better ones are over RMB 800/g (USD 117/g).*

Smuggler crossing the
Vietnam-China border

I: It was only RMB 500/g (USD 73/g) two years ago when I was in Beijing.

27MY-25: Depends on the quality. Yellow ones and white ones would be around RMB 500-600/g (USD 73-87/g). The black ones would be over RMB 800/g (USD 117/g). But yellow and white ones are hard to exam. Like you said, antelope horns are very similar. You have to find the roe pattern.

[...]

I: Anything from Myanmar?

27MY-25: Not very much. Mostly are from Vietnam, Myanmar and Laos.

I: Vietnam to Guangxi?

27MY-25: Some are from Yunnan, Hekou Port. Mostly from Vietnam. Myanmar is mostly for jades.

I: Are they like Guangxi here? Boats and swimming (to cross the border)?

27MY-25: Not anymore. It's stricter. Used to be ok, smuggling. A small river and only takes a few minutes to cross.

I: Do they need a passport?

27MY-25: They don't need a passport. But these places are very dangerous. You might get caught if you're unlucky. They can hold you illegally if you smuggle. They want a fine and bail money [paid].

I: It's all about money.

I: Will they release you if you pay the money?

27MY-25: They should. Mostly [they] will.

I: Because the countries like Vietnam and Myanmar, the government is very loose about border control.



Another shop owner, POI 28MY-26, hesitated for a few seconds after being asked if he offers rhino horn products, then said that he does have some available. He then opened his safe and brought out a few containers. They contained a few ivory tablets (both carved and colored), ivory bracelets, ivory art crafts, a piece of rhino horn tablet and other rhino horn items. He also presented a special custom beaded bracelet where each bead was a different material; jade, turquoise and illegal wildlife products, including rhino horn, ivory, helmeted hornbill, tridacna, red coral, red agate, and the like.

Discussion with Vendor in Kunming

27MY-26: These are African. No Asian ones, too expensive.

I: These are all core.

27MY-26: Yes.

I: How much?

27MY-26: RMB 500/g (USD 73/g) is the lowest.

I: This is not Asian, it's African. Do you have any Asian?

27MY-26: It will cost thousands. I can find it for you if you want. Yes, I can get some for you if you really want. Asian ones' efficacy is 10-20 times that of African ones.

I: How many can you deliver? Core or edge?

27MY-26: Both.

I: What about Asian rhino?

27MY-26: Depends. If it's for pendants, then it's at least RMB

4,000-5,000/g (USD 585-730/g).

I: What about grinded, for meds?

27MY-26: That's easy. RMB 100-200/g (USD 15-30/g).

I: That's cheap. What about Asian?

27MY-26: Certainly. Asian rhino for medicine is about RMB 1,800/g (USD 260/g). The water rhino (Sumatran rhino) costs the most.

I: Fire rhino or water rhino?

27MY-26: Water rhino. Fire rhino is worthless. Water rhino is Sumatran rhino. Fire rhino is from India. Indian ones are not good.

I: So, there are fire rhino, water rhino and African rhino. Can fire rhino be used as medicine?

27MY-26: They all can. But the efficacy of water rhino is the best. Sumatran and Javanese are the best. You can't find them anymore.

[...]

27MY-26: Fire rhino (Indian) made into tablets like this will cost RMB 3000/g (USD 440/g).

I: What about edge? For medicine.

27MY-26: They said it's RMB 1,800/g (USD 260/g). But everyone has their own connection. It's cheaper if you come here.

I: Where is here?

27MY-26: From the boarder of Yunnan, they are too strict.

I: Anywhere else?

27MY-26: Fujian.

I: From Fujian? Why that far?

27MY-26: Vietnam, Guangxi and Fujian have the most people (in the rhino trade).

I: It's the same thing from Guangxi and from Yunnan.

27MY-26: Things go to Fujian, Beijing and Shanghai from Guangxi.

I: So, these are from Guangxi? I'm confused. I need to upgrade my knowledge. Water rhino is Sumatran rhino, and fire rhino is Indian. And African rhino.

I: 'Guangjiao' is African rhino. Do they [each] have a taste?

27MY-26: They all have. Just pour some hot water [on them]. The smell.

I: What about water rhino?

27MY-26: That, too. A strong smell.



Rhino horn objects

POI 30MY-11, an antique and art shop owner in a Kunming antique hall, had rhino horn to sell, but did not have any on display due to law enforcement. This was in addition to many other wildlife products.

Discussion with Vendor in Kunming

I: Do you have guan jiao (rhino horn)?

30MY-11: Yes we have it - its not allowed to sell so we put it all away.

I: Is it available to buy?

30MY-11: Yes, but there are different grades. One is 40 grams, one 25 grams.

I: *What color is it?*
30MY-11: *Black one*
I: *Do you have a pendant?*
30MY-11: *No, we only have pieces, off-cuts.*
I: *How much do you sell [it for]?*
30MY-11: *RMB 350/g (USD 50/g)*

EAL investigators visited a few more shops before leaving Kunming. One shop owner used to sell ivory and rhino horn but got caught a few years earlier and was fined RMB 10,000 (about USD 1,500). Although the illegal items did not get confiscated and he sold them privately, he stopped dealing because law enforcement has been cracking down on illegal wildlife sales.

Although the black market is still functioning in Kunming, the vendors are extremely cautious, selling rhino horn primarily to familiar people. Many contacts did express that business has been slow.

GUANGXI ZHUANG AUTONOMOUS REGION

Guangxi, officially the Guangxi Zhuang Autonomous Region, borders Vietnam and, with semi-autonomous authority, allows relatively hassle-free border crossing and trade with Vietnam. EAL targeted a number of border cities and towns, as well as the capital of Guangxi, Nanning, during its investigation. The EAL investigators found that wildlife contraband, including extensive amounts of rhino horn, flows easily through the China-Vietnam border into Guangxi, through both legitimate ports of entry and illicit land and water routes. It also becomes very clear, upon reading the transcripts below, that smuggling methods and activities are similarly described and well-known by many throughout Guangxi.

Pingxiang - Border City

A taxi driver (POI 25A-1a) in Pingxiang told the investigators that smugglers use land routes between Pingxiang and Vietnam where individuals physically carry goods on their backs over well-worn mountain trails. There is also a route in the mountain area of Nonghuai where there is a border trade zone requiring no passport, just a toll of RMB 8-10 (USD 1.17-1.47). According to the driver, once the toll is paid, the border guards pay no attention to the kind of goods being carried over the border.

Discussion with Taxi Driver in Pingxiang

25A-1a: *Everyone knows that you can find smugglers there every single day. It's the same situation in Puzhai. There is a building (in Pingxiang) that people throw goods from the building and others pick them up and transport them to Vietnam.*

I: *I know. How could people keep trafficking without getting caught since this route is not a secret?*

25A-1a: *They (the officers) might have taken bribes already. [...]*

25A-1a: *It's impossible to transfer the goods via customs. The only way to smuggle them is to take the route in the mountains. Therefore, many people would take the risk.*



Vietnam-China border crossing

I: How about the smuggled goods? Will they be transported with the official logistics companies?

25A-1a: No, it must be carried by people through the mountain routes. They do not pass customs. There are people who wait at the foothill to load the goods onto vehicles.

25A-1a: They have detectors for drugs. Therefore, you cannot smuggle via these customs. It's impossible. They even have detectors for ivory.

I: Really? Do they have detectors for ivory or rhino horn?

25A-1a: Yes. Both of them.

[...]

25A-1a: The old Vietnamese women can carry more than 6 kilos on their back.

[...]

I: What do they actually smuggle here? Ivory? Rhino? Tiger?

25A-1a: All of them.

The EAL team learned that four to five different land routes in and out of Pingxiang were used by smugglers depending on the designated deal. The shortest one is a mere three minute walk. Vietnamese of all ages and gender travel back and forth in this mountain area with goods on their back on a daily basis. Commonly, there are motorcycles or small vehicles at the end of the routes waiting to receive the goods. One price quoted for a package to be taken over the border was RMB 3.00 (USD 0.44), with extra due for bulky goods.

The EAL investigators found that wildlife contraband, including extensive amounts of rhino horn, flows easily through the China-Vietnam border into Guangxi, through both legitimate ports of entry and illicit land and water routes.

Dongxing - Border City

While in Dongxing, a small city on the border opposite Mon Cai, Vietnam, the EAL investigators again acquired interesting information from their Didi taxi driver (POI 20S-4). As many people do in Dongxing, and all along the Guangxi-Vietnam border, POI 20S-4 also performs some smuggling activities for additional income. Just like a number of other taxi drivers the EAL team spoke with, 20S-4 appears to be well-versed in the procedures for smuggling goods across the border.

Discussion with Taxi Driver in Dongxing

20S-4: *I want to do business in Pingxiang.*

I: *Pingxiang... Is it easier? Aren't they both ports of entry?*

20S-4: *Yes, Pingxiang is also a port of entry.*

I: *What do you mean that the business is easier in Pingxiang?*

20S-4: *The inspection is loose at the port of entry.*

I: *Okay, you mean we have more inspection here? But Pingxiang is not close to the sea.*

20S-4: *No. But we can take the land route.*

I: *Is that easy? There's also the border custom.*

20S-4: *There are numerous routes: land, water, mountain...*

I: *How about the police? Don't they try to catch them?*

20S-4: *The police do not care and they cannot catch all of them. For example, there's a highway near the border that a lot of people do car racing on. Police do not really pay much attention to it.*

I: *Maybe just pay them some money...*

20S-4: *Yes.*

[...]

I: *So a lot of goods can be imported from Vietnam?*

20S-4: *Not only from Vietnam. Myanmar and Malaysia too.*

The market is China.

[...]

I: *Can we take the things (contraband) back (to China) from Vietnam?*

20S-4: *I will give you a hint. The Vietnamese, or some local in port of entry, they will carry for [the items] you.*

I: *What do you mean? After we buy it...*

20S-4: *You cannot take it with you. You just pay them and they will transport [the items] to you.*

I: *Then how could they enter?*

20S-4: *With their border passport!*

I: *But they still need to be inspected (by customs)?*

20S-4: *It's okay for them to travel back and forth. It only costs [them] RMB 2.00 (USD 0.30) each way.*

[...]

I: *I just want to buy something that I cannot get here. You said it's possible to carry it back.*

20S-4: *Yes, a lot of people provide this service.*

I: *So I buy a bracelet or ivory tusk and ask someone...*

20S-4: *He will check it first and make sure whether he can take it. What if you smuggle some drug inside? (Laughing)*

I: *No I won't.*

20S-4: *Just an example. They do not want to get caught, either.*

I: Will they be inspected? Do they have other route?

20S-4: Yes, with boat. Like what you have seen from yesterday. They always have some way.

We: They are good. How much for one piece?

20S-4: Usually it's RMB 10-20 (USD 1.50-2.99). It depends.

I: How much exactly?

20S-4: It really depends on size, weight and content. Might up to RMB 100 (USD 15).

Fangchenggang

Fangchenggang is a coastal port city on the Gulf of Tonkin and just east of Dongxing. EAL investigators found that the city had lost much of its industry and markets, surviving now primarily as a tourist destination. As a result, no significant wildlife dealers were identified. Many shops were closed and those that were open may have stocked some wildlife products, but were not willing to speak to the investigators. Fortunately, a taxi driver provided a few interesting details on available wild game and smuggling in the area.

Discussion with Taxi Driver in Fangchenggang

I: Is there a wild animal market here?

21S-7: No. The inspection is frequent. No ordinary people can find it.

I: No ordinary people can afford it. (Laughing)

21S-7: You need acquaintance or connection. Without connection, the shop will claim they do not have game/wild animal even if they do have it for sale. There used to have a lot and restaurants.

[...]

21S-7: To be frank, the vendors in Fangchenggang import things from Dongxing.

I: There is some smuggling in Fangchenggang, right?

21S-7: Yes.

I: It's smuggled from Dongxing (21S-1: Yes) or from the port at the coast via ocean shipping?

21S-7: The goods via ocean shipping must be transported to Dongxing first. Otherwise it's too obvious in size.

I: Is there a harbor in Dongxing?

21S-7: No. But it saves on shipping cost if they only need to pass through a river.

I: Therefore all the smuggling routes, land or water, are via Dongxing.

21S-7: Yes. Otherwise you will need to take the route via Jiang Ping.

Qinzhou

Qinzhou is east of Fangchenggang and also situated on the Gulf of Tonkin. The EAL team did not come into contact with any significant dealers of wildlife products in Qinzhou, but, as was the case in Dongxing and other towns, their Didi taxi driver was extremely forthcoming with his understanding of the smuggling business throughout Guangxi, including the ease with which bribes can facilitate the process.

Discussion with Taxi Driver in Qinzhou

I: *Do people smuggle in Fangchenggang?*

22S-8: *Yes.*

I: *How?*

22S-8: *They take the highway.*

I: *How could this be possible? How could they pass the border guard?*

22S-8: *Well, you could...*

I: *You just bribe them and you can pass.*

22S-8: *You know the unspoken rules already. (Laughing) They keep a low profile. They can be bribed and give you a few hours for free pass.*

I: *Okay, we get it.*

22S-8: *What the guards have caught are the [one-offs], [but the] people who have many goods will pay the bribe and get away from it. [...]*

I: *How about the water route?*

22S-8: *There're more and more inspections for water routes. Well, the route in Dongxing and there is Beilun River. There used to be a lot of smuggling in both directions.*

I: *How about the smuggling via the water route in Fangchenggang?*

22S-8: *It's rare for goods that you cannot report and pass through customs with.*

A consistency that has come to light during this investigation is the use of scouts or look-outs to help smugglers avoid authorities as goods are moved through the border.

Discussion with Taxi Driver in Qinzhou (continued)

22S-8: *Basically, it's end-to-end service here. There're scouts who pay attention to the police. It's an occupation and different level. They can tell from the car license who is in the car.*

I: *How much do scouts earn? A monthly payment?*

22S-8: *It's charged daily.*

I: *How much is it?*

22S-8: *RMB 300/day (USD 44/day). The premium is RMB 1,000/day (USD 150/day).*

22S-8: *They have a special trick. They are out as groups. If the first car finds a police, he keeps a distance from the police. Once the police stops, he will call his fellows and ask him to stop. Sometimes you will see groups of cars stopped by the side of road.*

22S-8 identifies Nanning, the capital of Guangxi, as a destination and consolidation point for contraband coming from Vietnam.

Discussion with Taxi Driver in Qinzhou (continued)

I: *So are the smuggled goods here (in Qinzhou) originally from Fengchenggang? Where will their next stop be?*

22S-8: *No, the goods from Fengchenggang will go directly to Nanning. They might shortly stop in a small village in the mountain area. Then they will be transported via highway.*
[...]

I: *How about the smuggled goods in Pingxiang area?*

22S-8: *Direct to Nanning.*

I: *Okay, from Pingxiang to Choungzuo then Nanning.*

So all the smuggled goods will gather in Nanning?

22S-8: *Yes.*

I: *Who is helping with the logistics? Are drivers working for the smugglers or are the logistics companies part of it?*

22S-8: *There are some logistics companies doing it.*

I: *How do they dare do that?*

22S-8: *Well, the smugglers just pretend that the goods are frozen meat or other legal goods. The goods are well-packed and probably small in size. It's hard to tell from the outside look.*

[...]

22S-8: *The smugglers are now hiring some teenagers as drivers. If they find the police car they will hit the police car and interrupt them.*

I: *Really? The boss will bail them out afterward?*

22S-8: *It's okay, there's insurance. And the smuggler's car can get away from the police.*

[...]

I: *So the smuggling can be shipped via Tongzhong and Dongxing, right?*

22S-8: *Yes, but not exactly, The distance between China and Vietnam are so close they can take any trail in the mountain. They do not have to take the main road.*

22S-8: *In some shallow areas of the river, you can cross it by foot.*

[...]

I: *How about the containers? Do they import via customs?*

22S-8: *Yes.*

I: *So they just bribe and pass?*

22S-8: *It's not as easy as it used to be.*

Tongzhong - Border Town

Tongzhong is a small border town close to Lihou Village, a port of entry with Vietnam, between Pingxiang and Dongxing. On the unpaved road to Tongzhong, the EAL team observed a number container trucks stopped along the roadside waiting for goods to be loaded. At one point, public security had set up an inspection stop in the opposite direction of the road. About one to two kilometers following the inspection stop, a line of vehicles waited on the side of road. The team's driver indicated that these vehicles likely contained smuggled goods and the smugglers were waiting until they received word that public security had left the area.

Nanning - Capital of Guangxi

EAL investigators were able to identify and make contact with a significant rhino horn trader in Nanning. Following discussions with this individual, POI 19S-4, regarding rhino horn sales, he invited the investigators to his studio where he stocks rhino horn. The studio is above one of the many shops 19S-4 owns, selling varying crafts such as jade, emeralds, porcelain, and rosewood furniture. This POI has both raw and semi-crafted rhino horn available, primarily selling to familiars and close connections. Even with this intention, 19S-4 shows the EAL team (newly acquainted potential buyers) a bucket full of freshly crafted rhino horn products (cups, beads, and a bowl), a number of other raw pieces of rhino horn, and shares some detailed trade information as evidenced by the conversations below.

Discussion with Dealer in Nanning

I: *So the one of my friend's (rhino horn) is black, then it should belong to...*

I: *Yes, the core of horn.*

19S-4: *If you want, I also have bracelet in black.*

I: *Do you sell at different price?*

19S-4: *We always buy a whole tusk to craft, therefore we have the same cost. But the quantity of black part is fewer. It's like if you kill a pig and you get one pig stomach only.*

I: *So it's rare and should be sold at higher price.*

[...]

19S-4: *You can buy the raw material or semi-crafted one (rhino horn) from me. I have a lot.*

[...]

I: *Why are they (rhino horn products) inside this bucket?*

19S-4: *These are freshly made. We need to soak them in the oil to avoid them from transforming.*

[...]

19S-4: *We also have scrap. Rhino horn has efficacy to clear away heat and toxic substance. It also works against the fever of children.*

We: *Sir, can I ask you how much for this scrap here?*

19S-4: *RMB 300/g (USD 44/g). With this size, you can use it until you have grandchild [laughing].*

I: *RMB 300/g is a bit too expensive.*

19S-4: *[Pause] It's not as expensive as you think. This one is clean and beautiful. Especially it's with blood pattern. This is the best and a proof that the horn was taken while the rhino is still alive. Sometimes it takes a lot of time to take the horn, up to a month.*

I: *Therefore is the rhino horn with blood pattern better?"*

[...]

I: *How much is that one (piece of rhino horn)?*

19S-4: *This one is ca. 60 grams (putting it on a scale). It's 80 grams.*

I: *Okay.*

19S-4: *I have a smaller one. Like this one here. It's 60 grams. Although you might think it's a bit pricy, but you can use for decades even after the birth of your grandson. [Laughing] If you buy it, I can give you this grinder for free.*



Rhino horn offered to
EAL's investigators

I: Can I bring it to Peking?

19S-4: Yes, and even to Canada.

I: There will be no problem for taking it to Taiwan?

19S-4: No. You just claim that it is ox horn. When it's made as a craft, you can take it anywhere you like.

[...]

I: Is the price rising lately?

19S-4: It's even much [more] expensive in 2012 and 2013. We bought [the horn] with the hair and meat. At that time, the raw material was RMB 380,000 (USD 56,000) per kilo and the final cost per gram was almost RMB 1,000 (USD 147). Now it's better.

19S-4: I can give you the offer as RMB 260/g (USD 44/g).

I: For this one? It will be less than RMB 20,000 (USD 2,950).

19S-4: Yes, it's 60 grams. It's really worth that.

The taxi driver the team met in Dongxing (POI 20S-4) picked them up again and revealed that he smuggles goods across the border as a second source of income for his family. He is not afraid of being caught and sent to jail because, "You just pay some money and you can leave (the jail). As long as I am not doing something strictly forbidden...The small things with this route is a perfect fine."

Discussion with Taxi Driver in Nanning

I: Using the same route? With the boats?

20S-4: That is how it works with small cases; things under tens of thousands. The things over millions of dollar will use other routes to smuggle. They are not using these small boats, they use cars to transport.

I: How do they pass the border?

20S-4: With cars. Normally they will not take this shore to unload the goods.

I: Where?

20S-4: On the side of the river. You can see all the smuggling boats on the side of the river in the night.

I: How about the heroine over millions of dollars? Do they also smuggle with the boats here?

20S-4: Yes, but not here. Somewhere nearby, using the boats and inside the bamboo or wood pendant.

I: Okay.

20S-4: They can [always] think of different ways to do it.

[...]

20S-4: Now they (the police) do catch (smugglers). In the past they do not even try to catch. They never did inspection here.

20S-4: Previously, some might try to report the smuggling.

The police would even explain for the smugglers. "They are not smuggling, just trying to make some money for grocery shopping."

I: And you don't need to report it.

Almost Everyone in Guangxi is Involved in Smuggling Something...

The EAL investigators hired a chartered driver (POI 19S16-3) who is also involved in smuggling frozen meat into China. He spoke at length about how to smuggle goods from Vietnam into Guangxi. Although he knows about and applies these methods to the meat smuggling business, he implies that the same methods are employed for many types of contraband.

Transcript of Conversation with Chartered Driver

Out of Nanning

I: Where do you get these frozen beef? With container?

19S16-3: From Brazil and Vietnam, everywhere.

I: How do they import?

19S-5: First they transport with the container ship to Vietnam. Then they switch to trunk, after reaching the port of entry, they uploaded to the slim, long wooden or iron boats and sail to China. Afterwards they ship to different places.

I: They first collect in a place and then ship to different place?

19S-5: Yes. With this method they can avoid dozens percent of tax.

I: Won't they be inspected during passing the border from Vietnam?

19S-5: Yes, but if you keep the boat in the middle of the river, they cannot do anything. This how custom works.

I: So the official of Vietnam does not care about it?

19S-5: They already pay the tolls and have all the connections.

I: So will they pass through in the night.

19S-5: Yes, basically in the night.

I: Therefore we just sail to the middle to avoid the inspection?

19S-5: Yes. But sometimes the custom finds you have too much boats, they will hold the port. You will need to make some calls and pay for it. For example, RMB 100,000 (USD 15,000) for 2 hours of free pass.

I: They will then pretend nothing happen within these 2 hours?

19S-5: Yes.

I: How about the chance of being caught?

19S-5: People who got caught are people who have no connection.

I: You need to pay to establish the connection.

19S-5: With the connection they will leave you alone. Even if you got caught, as long as you have the relationship, you just give them some "benefit", they will let you go.

19S-5: There's smuggling in Dongxing, but there're fewer than in the old days.

[...]



Official crossing point
Vietnam-China

19S-5: 90% people in Dongxing are smugglers. (He later changes this to 80%.)

I: Really?

19S-5: If you do not do smuggling, you will be starving.

I: Then it's the same situation in Youyi Guan.

19S-5: Yes.

[...]

19S-5: Some of the people in the villages work as drivers.

Therefore, I said 80% people in

Dongxing are in smuggling business.

I: I see. Upstream and downstream. They are all part of it.

19S-5: Yes, kind of like an industrial chain.

[...]

19S-5: The car over there is also for smuggling.

I: Really? The one from Zhejiang?

19S-5: Yes.

I: What do they smuggle in this size of car?

19S-5: Civet cat and pangolin.

I: So you mean the cars with plates of outland are all for smuggling?

19S-5: Yes, they usually buy plates from others.

I: But this one is with Zhejiang [plate].

19S-5: This container car is from Guangzhou.

I: It does make sense. Because the container trucks are often for long-distance transportation.

19S-5: Smuggling cars are usually old cars. The new car is rare.

I: How about getting caught from smuggling civet cat and pangolin?

I: To the jail? Stricter than frozen meat.

19S-5: They are valuable animals.

I: Civet cat too?

19S-5: Sure. The killing and trade for both animals are forbidden.

[...]

19S-5: I do not have close relationship with the boss. They are in the same army. I am only downstream of him. I am introduced by my cousin. RMB 6,000/time (USD 885) to look out for police, sometimes I cannot move for days. (I: At a same place?) Yes, someone will bring me food. I drive when I am free, I watch the road (for police) for them.

I: Okay.

I: What do you do during the scout? Do you have a spot here?

19S-5: No, usually we have a spot before entering the highway, important intersection of secondary roads. I need to figure out what kind of cars and who are in these cars.

I: How do you know?

19S-5: You can see it clearly during the ramp.

I: If you get caught, you will be in jail for one week. But the boss will try to get you out.

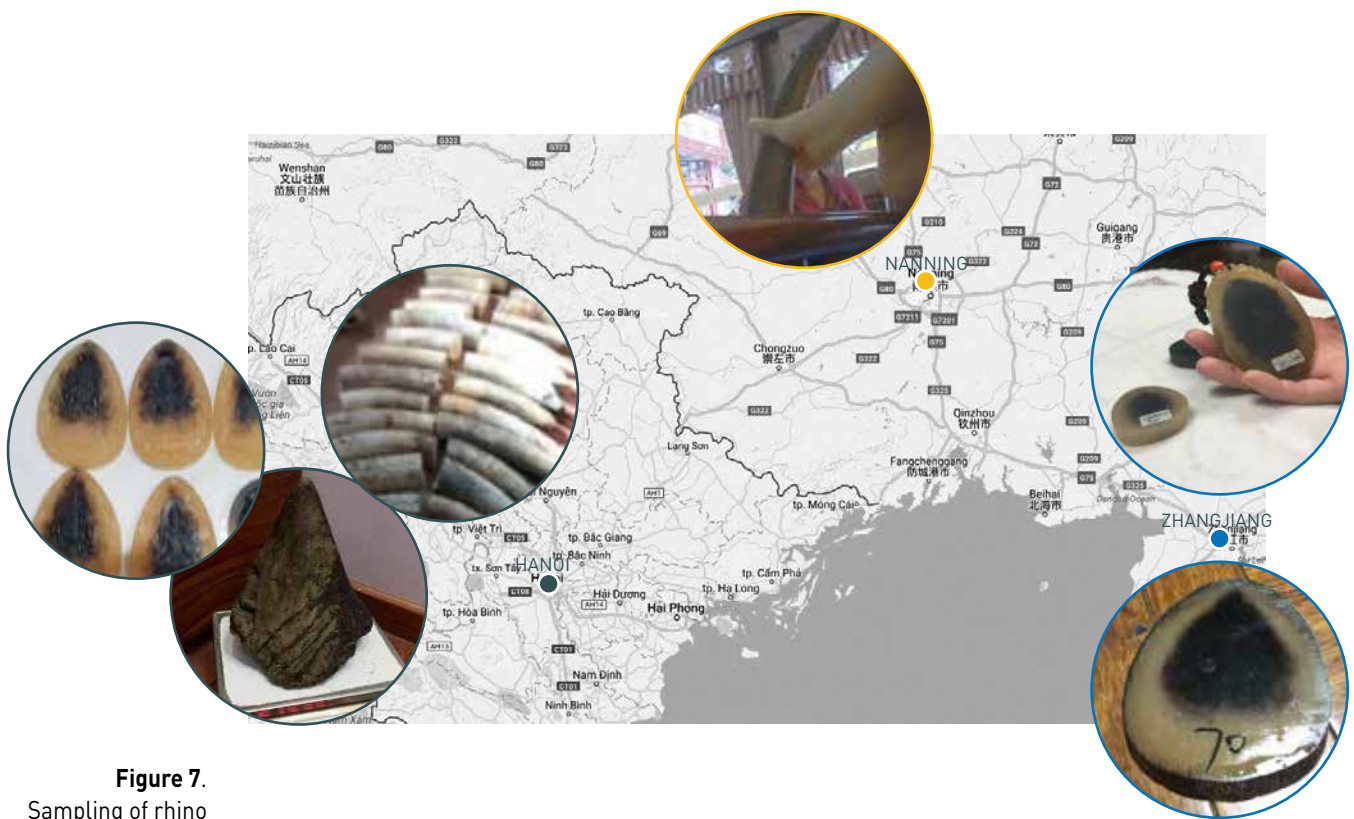


Figure 7.
Sampling of rhino horn and ivory products available for sale in Hanoi, Nanning, and Zhangjiang.

EAL investigators visited four Chinese medicine shops in Nanning, three of which offered rhino horn for sale, among other wildlife products, including rhino horn cubes and sliced sticks. Prices for rhino horn in Nanning ranged from RMB 200-460/g (USD 30-68/g).

Based on the information gathered by the EAL team, it can be determined that the flow of contraband from Vietnam into Guangxi is the business of the region. It is ingrained in the culture of the citizens and a means to make a living for many. It is also evident that wildlife contraband is part of the equation. As was found in previous EAL investigations, corruption plays a significant role in the smuggling process.

GUANGDONG PROVINCE

Zhanjiang

The city of Zhanjiang is in southwestern Guangdong Province just north of Hainan island on the South China Sea. The EAL team targeted 'antique towns' within the area. Their first contact was POI 04M-20, the 'boss' of a prominent antiques establishment. As it turned out, 04M-20 is the vice president of the association of collectors in Zhanjiang, very knowledgeable about the rhino horn market in China, and a dealer.

Discussion with Dealer/Collector in Zhanjiang

(POI 04M-20 opened the safe and took out two 'old' rhino horn sculptures: a pendant with Guanyin and a black rhino horn sculpture in the shape of a Chinese lion.)
 04M-20: *These are some old rhino horn.*
 I: *Yes?*
 04M-20: *This one is old. We do have new ones.*
 (04M-20 walked to the safe again and brought 3 more rhino sculptures to the table: a larger pendant with a black center; a smaller pendant with black center; an all black pendant.)
 I: *Is this a new one? (large pendant with black center) Yes, you*

can tell. So This one (Chinese lion sculpture) is from Asian or African rhino?

04M-20: The old ones are usually from Asian rhino.

I: Then it would be really expensive?

04M-20: Not as expensive as you thought.

I: Does it have better efficacy?

04M-20: Well, for the old one you do not really value on the efficacy... (looking at the Chinese lion pendant at the same time.)

I: Yes. It's antique.

04M-20: True. [Chinese lion sculpture] is ca. RMB 80,000 (USD 12,000). I did have a new one from an Asian rhino.

I: And...?

04M-20: I sold it. Look at [Chinese lion sculpture]. Do you see this pattern? It's larger than the normal one. It's sold. The beads I sold, it's larger than this one.

[...]

I: What's the price.

04M-20: Well, this one.. (small pendant with black center)

I: How much?

04M-20: [Small pendant] is RMB 18,000 (USD 2,650).

I: How many grams is it?

04M-20: 20 grams

I: RMB 900/g (USD 132).

I: How about the [large pendant with black center]?

04M-20: It's written 70 grams

I: Can you weigh it again? (04M-20 weighs the large pendant again)

04M-20: 59 grams.

I: 59 grams, so how much per gram here? Don't you sell it by gram?

04M-20: There's a difference.

I: Yes? (04M-20 took out a calculator)

04M-20: It's different price for different quality. [The large pendant] is about RMB 40,000.

I: Is it from? Where do you say? Asian rhino?

04M-20: This one is Africa. The old one is from Asia.

I: How about the old one?

04M-20: The old one is more expensive. The price is about RMB 1000/g (USD 150).

[...]

04M-20: [The large pendant] is less than RMB 900/g (USD 132). I can give you a better price. RMB 46,000 (USD 6,800), less than RMB 800/g (USD 118).

I: So the black one (pure black pendant) here, what's the price?

04M-20: Usually the pure black one is more expensive.

I: A lot of people told us so.

04M-20: It's almost the same, the price differs from time to time.

At the very beginning, the transparent one/white one has higher value. Sometimes the one with blood pattern is with more value.

I: Is this one (large pendant) without blood pattern?

04M-20: It's not. But it's just with different characteristics.

[...]

I: This one (large pendant) has a concave inside too.

04M-20: It's natural for finished product. After a while it will



Rhino horn trader
in China

contract a little bit. Without contraction you can tell it's fake, the plastic one.

[...]

04M-20: Check this cup (larger rhino horn cup), it's pure black.

I: I assume it cost RMB 1,000,000 (USD 147,000)?

04M-20: Yes.

04M-20: Yes. I have two smaller ones (smaller cups).

I: Why are your cups all black?

04M-20: The black ones are rare.

[...]

(Chatting about the bigger cup.)

04M-20: The caviar pattern is really obvious.

I: What's caviar pattern?

04M-20: It's the small dot, scattering on the surface. It's a specs of rhino horn.

I: How do you say the price, per cup or per gram?

04M-20: Per cup.

I: Well, then.

04M-20: [...]It loses its weight after years.

I: The water vapors?

04M-20: Yes.

I: How about this (larger cup)? How much is it?

04M-20: This one is RMB 50,000 (USD 7,350).

I: RMB 50,000, 31.7 grams.

04M-20: RMB 1577/g (USD 232).

Although the EAL investigators found concrete evidence of a still semi-open black market for rhino horn, there is significant implication that the trade has moved further underground in the last few years. One example is this short discussion regarding rhino horn artisans (carvers).

Discussion with Dealer/Collector in Zhanjiang

(continued)

I: What if I want it to be carved? (Discussing rhino horn pendants.)

04M-20: It's not that easy. The normal artisan does not know how to deal with rhino horn. The ones who do always keep a low profile because they are afraid to be caught. It's often to be caught. The government knows who are processing rhino horn and has the largest profit. The government catches them once in a while, it's RMB 1 to 2 million (USD 147,000 to 294,000) fine per time. Usually it's finished products. It's not easy to get [rhino horn] processed somewhere.

According to POI 04M-20, he has been involved with commanders in the Chinese military, asking him to travel with them and help distinguish authentic products (such as rhino horn) from fake versions. Additionally, 04M-20 indicates that the Chinese navy fleet has picked up and carried what we can only assume to be wildlife contraband back to China for this POI.

Discussion with Dealer/Collector in Zhanjiang

(continued)

04M-20: The commanders in the army asked me to go aboard (a ship) to buy these items with them. I refused, it's getting to international smuggling, it's too dangerous.

I: Just go there and buy your stuff?

04M-20: They ask me to check the products, they cannot tell the difference and often buy the fake one.

[...]

04M-20: A few years ago, there was so much corruption, there are army, navy, and air force in Zhangjiang. The leader came here every month. The people need to find these stuff for him.

04M-20: Well, all of our boss have some at home. When we have meals with leaders we will take one or two [craft items] with us on purpose. If the leader likes it, we just give it to him and say it's cheap to buy it for me. Afterward when he finds its true value, he will say that in the future if I get [into] any trouble, he will take care of it.

[...]

I: The army you mentioned, does it help if you want to import?

04M-20: Yes, the fleet told us that they can transport for us, once I told them where and when to pick up [contraband].

The EAL team visited a number shops within various antique towns in Zhanjiang. They met a vendor outside one of the 'towns' who processed raw rhino horn into cups or beads. He did not have any rhino horn available, but immediately contacted a connection of his in Xiamen to inquire about available horn. A few other vendors also indicated that they could source raw rhino horn for the investigators. Most connected with the investigators via WeChat and promised to get in contact when they found available rhino horn.

One vendor, POI 05M-34, when asked if he had rhino horn, invited the team to stay for tea without hesitation. The vendor removed a box from the bottom of a glass display case that was filled with rhino horn accessories. He presented a piece he called "Liu Hai Xi Jin Chan" priced at RMB 30,000 (USD 4,400) and weighing 18 grams. The vendor claimed the piece was made from Asian rhino horn and that no other shops offered Asian rhino horn, only African. Based on this statement, it can be assumed that multiple shops in this particular antique town are involved in the rhino horn business.

Ultimately, it was not difficult to find vendors in Zhanjiang willing to deal in rhino horn, as well as other illicit wildlife products, particularly ivory.

Guangzhou

Guangzhou is a port city northwest of Hong Kong in Guangdong Province and the third largest city in China. The city has long been a hub for ivory and rhino horn trafficking, in addition to other illicit trades. As a result, Guangzhou was an important target for this investigation.

The EAL investigative team met with a dealer they had met during a previous investigation. POI 02M-35 trades in many different types of wildlife products, including tiger skin, bone, and teeth, bear bile, and, as it turns out, rhino skin and rhino horn.

Discussion with Dealer in Guangzhou

02M-35: Golden coin turtle is the only medicine to cure cancer in China, all the others are fake.

I: How about rhino horn?

02M-35: 80% you find in China are fake. You cannot find real one, to be frank. I might buy fake sometimes, but I never buy... (hesitates) I buy when I see them cut off from the rhino. Usually I do not buy any of them. The reason is simple. You end up badly if you get caught. It's a serious crime in China. At least ten years of jail. Who would dare to sell rhino horn?

I: There are some vendors out there.

02M-35: Well, but can you find them? It's the 1st class protected wildlife. Can you kill them easily?

(Investigator said he bought a black rhino horn bead bracelet, which cost under RMB 10,000. "It must be fake" said 02M-35.)

02M-35: Think about it. The horn is limited in size. The portion you need for a bracelet...The market price of rhino horn is 400 RMB/g (USD 59/g), 330,000 RMB/kg (USD 49,000).

I: Are there still many rhino vendors?

02M-35: You cannot get one even if you have money.

[...]

02M-35: I have a long term connection in Vietnam. Tiger bone, tiger teeth, bear bile...I can find it for you. It's hard to find rhino horn and tiger skin. I cannot promise for one even someone would pay me RMB 500,000 (USD 74,000) for one tiger skin.

I: Is it so hard to find rhino horn? I doubt that.

02M-35: Yes, but most of them are fake. I am not kidding.

I: But I thought the scrap in the medicine market is real.

02M-35: It's a lie. It's psychological. Do not waste your money on it. I told you the tiger teeth, bone and bear bile are there and they are real. But rhino horn, forget about it. It's so hard and risky. You need to have connection. Too risky. I can earn RMB 200,000 (USD 29,500) for selling one tiger skin from Vietnam. But I do not risk.

[...]

I: Where do you visit then?

02M-35: Vietnam, Laowo, Fushun, and Wanxiang.

I: Do you have acquaintance there?

02M-35: Yes.

I: They are one of your friends.

02M-35: Yes.

[...]

I: But I still want to find rhino horn.

I: We might be able to find one.

I: I want to get a whole tusk.

02M-35: It's even harder. No one dares to find a whole tusk.

[...]

I: Yes, my friend has one, but she would not sell [it to] me, that's why I want to buy it.

02M-35: Persuade her again.

I: She did not know what the price is. She bought it for her husband. He got cancer. She also bought bear bile. She has lots

of things like it. She would rather keep it. I would also like to have one at home. I heard it cures stroke too.

02M-35: Yes, and also cures cancer. Rhino horn is very good, very good stuff.

[...]

I: What kind of vehicle [do] you take when you visit Vietnam?

02M-35: Flight. (He was staring at the tea pot and turned to the investigator after this question.) If I am at my hometown, Maoming, I will visit Dongxing, passing the border...

I: Where in Vietnam?

02M-35: Just around the border. Usually the Vietnamese brought the stock to us over the border. It's easier like this. For example, I want to have one tiger tooth. It's fine, they just pay a little for the Vietnamese border guard. It's just as easy as that.

[...]

02M-35: Basically people have rhino horn from last generation, there are not so many left. People consumed it, sold it. It's rare.

I: I remember there was a pharmaceutical company which had much stock.

02M-35: Yes, but the government confiscated it all. It's policy.

I: It's an ingredient of 'Angong Niu Huang Pill.'

02M-35: There's no rhino horn in Angong Niu Huang Pill anymore.

I: Replaced with ox horn?

02M-35: Yes. If someone claims his medicine is still with one (rhino horn), he's lying. I was an agent of Tong Ren Tang (a pharmaceutical company). It's said the efficacy is the same with the extract from ox horn. Where can we find rhino horn? The only route is from Vietnam, there is a place in Vietnam, where there's no regulation from government. It's dangerous and chaotic. There're gangsters there. If you want to eat tiger, just go there. The people there know where to get you a tiger, a whole tiger.

I: Where is it exactly?

02M-35: Well, it's there.

I: It's too vague to say so.

02M-35: Vietnam is big but there are some places out of control (of government). For example, the border of Cambodia. You can always get something illegal at the border, where you can find rhino horn. Don't bother to visit other countries for it. Basically the rhino horns are all in Vietnam. 80% of product in China is fake. In Vietnam, they would take a picture of the horn, they would kill on site, I have friends who were there to watch the whole process by the Vietnamese. However, I would not dare to make this money, even [if] I can earn one million out of one rhino horn tusk.

Ultimately, most of this discussion about not selling rhino horn was part of a sales pitch from POI 02M-35. As he indicates below, he has a source in Vietnam able to provide "many" horn slices at various weights.

Discussion with Dealer in Guangzhou (continued)

I: Do you have a slice from the whole tusk?
02M-35: Yes, we have.
I: Great, that would meet our needs.
02M-35: (Shows investigators the photos from his phone.)
It's from Vietnam, it's legal there.
I: Why is it so small?
02M-35: There are many, 100g or 4 to 50g.
02M-35: [...] Right, I can find rhino horn, but it takes more time. The shipping from Vietnam to me takes 6 days.
It's the best condition.
I: How do you get the product into China?
02M-35: Vientiane (Vietnam). From Vientiane to Yunnan, then Guangzhou. It takes 6 days.
I: How?
02M-35: With a courier.

POI 07M-23, a vendor with an art degree who specializes in carving, confirmed that he has a connection that can supply him with raw rhino horn. This is indicative of the dealers who offered to sell rhino horn products to the investigative team – they carry very little inventory, but claim to have connections who can source the horn quickly.

Discussion with Dealer in Guangzhou

I: Do you do small accessories, like rhino horn?
07M-23: Yes. But there are more confiscations... I have a connection from the source. One [buyer] asked me for uncarved horn, it's RMB 400/g (USD 59/g). The carved [pieces] are RMB 500-600/g (USD 73-88/g). It's not easy to make money with rhino horn. Too risky. The price difference between the quality and color are huge. Also, hand-made and machine-made are different.
I: How about the cups?
07M-23: What do you want the cups for?
I: I have some raw material, I am thinking about what I should carve. Some suggest I should just grind it and drink.
07M-23: You can grind and drink from the scraps. It's a waste to do so with the whole raw material.
I: Yes, it's a waste.
07M-23: Many people choose to carve it into cups. Lately we also helped a customer to carve it into a seedpot of lotus.
[...]
I: I do not have (the rhino horn raw material) with me.
07M-23: You can add my WeChat account.
I: We've seen lots of products today, but we are not sure how to distinguish the real and the fake.
07M-23: It's hard to fake (rhino horn), you can identify it by the caviar pattern.
I: Can't you mimic the caviar pattern?
07M-23: It's hard. Check this ox horn. Some people will even stick [on] one thin slice of rhino horn to pretend it's real.
I: Can you check this for me (showing a photo)?

07M-23: *It's hard to tell this one, the pattern is not the regular round shape. The caviar pattern I talked about should be a unified round shape. There is also something wrong with the arrangement of the pattern. The horse [hooves] is often used to fake rhino horn. If it's from the aged horse, the pattern is similar.*

Via WeChat, 07M-23 produces photos with examples of the caviar pattern:

I: [...] Can you tell us the price of the products?

07M-23: They are all sold out. I only have two more rhino horn at home. But the quality is not good enough. The (caviar) pattern of them are different. The next batch will arrive in 2 weeks.

I will send you the pictures with prices as soon as I get it.

In a different shop, the team asked about a sculpture and the vendor, POI 07M-24, said it is the “most expensive horn,” meaning rhino horn. The shop had three rhino horn carvings available for sale, a sculpture (RMB 19,000/USD 2,800, 22g), a pendant (RMB 15,000/USD 2,100, 31g) and a round carving (RMB 16,000/USD 2,300, 20g). The pricing was not quoted per gram, but rather per piece in this shop.

The additional craft shops visited by EAL investigators in Guangzhou were not willing to respond when asked about the efficacy of rhino horn for medicinal purposes. Having not taken the bait, no information was garnered by the team as to whether any other shops offered rhino horn for sale.

FUJIAN PROVINCE

Putian

The EAL investigators visited Putian in the Fujian Province, on the eastern coast of China, because historically Putian was known to be deeply involved in the ivory and rhino horn trades, specifically as it relates to carving operations. In Putian proper, the investigators observed that at least half of the shops were empty (not rented) and many others were not open. Drivers and shop owners all indicated that business has been very quiet in the last few years sighting a downward economy, a crackdown on the practice of gifting government officials, and escalated enforcement of existing wildlife laws and regulations. As a result, it appeared to the investigators that the rhino horn market had gone underground – no one in Putian would admit to handling rhino horn.

Three shop owners did tell the investigators to go to Xianyou to find rhino horn. Two of those owners specified the following:

Discussion with Shop Owners in Putian

03D-12: *You will have to look hard, it is not definite that you will find any (rhino horn) in Xianyou. [...]In Xianyou, there might be some but you won't see them on display. But you definitely won't find it in Putian because not many people are in that trade here.*

I: *So there are people doing it but they just won't tell us?*

03D-13: *(Nodding) After all, it is illegal.*

As it turns out, the rhino horn trade is still alive and well in Putian, but concentrated in Xianyou, a district within greater Putian.

Xianyou

In Xianyou, EAL investigators were initially met with resistance when inquiring about rhino horn. Most of the shops visited are wood shops and the owners or staff indicated that they do not deal in rhino horn. The owner of the third shop, POI 04D-17, indicated the same thing when the team first browsed through the shop's sandalwood crafts. As the investigators passed by the store shortly thereafter, though, 04D-17 called them back in and presented photos of available rhino horn products on his phone.

Ultimately, 04D-17 turned out to be a significant dealer of rhino horn. EAL investigators communicated with him on multiple occasions over a three-month period via phone and WeChat, and documented the large volume of rhino horn products he can access for interested buyers. He also shared information about the rhino horn trade in general that corroborates other evidence gathered during this investigation.

04D-17 inquired as to what would interest the investigators. They told him, "rhino horn cups, big and small, small statues, pendants, any things special and interesting." The dealer showed them a few photos, then texted his contacts and they texted back immediately with photos of available rhino horn products. The first pictures alone included:

- 1 big cup with pinkish color – 670g, RMB 420/g, RMB 280,000 (USD 42,000)
- big cup with 9 dragons – 270g, RMB 300/g, RMB 100,000 (USD 15,000)
- Guanyin statue – 1100g, RMB 480/g, RMB 500,000 (USD 74,000)
- few smaller cups – 110g, RMB 400/g (USD 59)
- pendent with Guanyin carving (no price listed)



Rhino horn cups

The prices depend on many factors, including on how much waste material the design would create. **The dealer indicated that the 'big bosses' are all local to Xianyou and they handle the whole supply trade – importing, carving, sales, and shipment.**

Ongoing conversations with POI 04D-17 resulted in the following solid information from a confirmed rhino dealer.

Discussion with Dealer in Xianyou



04D-17: *As long as the material is not fake, it is precious/expensive because the supply is very limited worldwide. The collectors/buyers of rhino horn are a very exclusive rich set [...]. Demand has dropped a lot, and also law enforcement has been cracking down hard on this trade.*

[...]

04D-17: **Personally I think there are more collectors for rhino horn than ivory. [...] Ivory and rhino horn are luxury. Rhino horn is with medicine efficacy and collection value at the same time.**

[...]

I: *How's the price of rhino horn?*

04D-17: *It depends on the design and quality. The price is higher for the part closer to the tip of horn. Usually the darker, the more expensive.*

[...]

I: *How is the general price?*

04D-17: *Depends on raw material or crafts. It differs.*

I: *Raw material. The whole horn, big one.*

04D-17: *We have the whole horn. The price is RMB 200-400 (per gram or USD 30-60/g). We do not have many horns.*

[...]

I: **How many craftsmen in Xianyou? How is the story?**

04D-17: **Xianyou has the most people in this business and craftsmen in China. These things (rhino horn) cannot be sold in public.**

I: *Where is it from?*

04D-17: *Africa.*

I: *I thought it's Asia.*

04D-17: *Africa, most of them are from Africa.*

I: *I thought it's imported from Fuzhou.*

04D-17: *From Vietnam. Some are from sea and some take the land route.*

[...]

04D-17: **We get limited products from upper stream. Therefore we send you the pictures with price - it's okay to negotiate the price. We have many customers and they also parity the different sellers. The products are not always in stock. It's dangerous to have stock.**

I: **It's risky.**

04D-17: **Yes. Some are responsible for the crafting.**

We only sell to acquaintances.

Therefore I asked you to send the pictures.

I: *So you mean you [are in] contact with someone, but you do not*



Rhino horn objects

know who is actually crafting on the raw material.

04D-17: Yes, for safety reason. The most important is quality and customer-orientation. Some are responsible for raw material. Some are responsible for the crafting part. They are specialized for each process and try to meet your need. If you want some specific design, if you cannot find it in one shop, then it's impossible to find it at others. Everything is about trust.

Consistent with the theme of corruption, 04D-17 confirmed that local law enforcement authorities are complicit in the wildlife trade in Xianyou.

Figure 8.
Sampling of rhino horn and ivory products available for sale in Xianyou and Beijing.



Discussion with Dealer in Xianyou (continued)

I: You mentioned about the trade amount being huge.

How come the public security do not run after you?

04D-17: Do you think the public security are innocent about the ivory trade? There is a saying, "If the people do not report, the officials see nothing." If you are too serious about it, they will be so tired of running after the criminals.

The dealer also provided the current retail value of a whole rhino horn in Xianyou – a price that is somewhat below prior year averages.

Discussion with Dealer in Xianyou (continued)

I: How about the stock, delivery and the money?

04D-17: We ask SF Express to deliver. It's safer, we have the connection. They know it (that it is rhino horn or other illegal product).

04D-17: What are you looking for?

I: The whole horn, how much?

04D-17: RMB 180,000/kg (USD 26,500) for whole horn.

I: Then how much for this one?

04D-17: 8 kg (RMB 1,440,000 or USD 212,000).

HENAN PROVINCE

Zhengzhou

EAL investigators met with two collectors of antiquities in Zhengzhou in east-central China. One is the president of the association of collectors and the other inherited a large collection from his father and now continues the tradition. Although their knowledge of the rhino horn black market sounds limited, or at least naive with regard to the volume of actual trade, they provide an interesting perspective on rhino horn demand and value.

Discussion with Antiquities Collectors in Zhengzhou

I: I would like to hear from you how you see the change, or the trend of rhino horn market in the last 20 years.

07D-19: Due to the historical reason, there are few people here that can recognize rhino horn or have access to rhino horn, not to mention about dealing the rhino horn. If he can really get one, no one knows whether it's real. There is no standard for rhino horn yet.

I: What happened for the last 20 years? Is it related to the economy?

07D-19b: No. The turning point is when China entered the Wildlife Care Association. After that, rhino horn became contraband. There were few rhino appraisers, the skill was passed down to the descendants. Therefore, not many people can identify the rhino horn [now]. Even for me, I can tell you it's made of horn, but I cannot tell you for sure which kind of horn it is. If it cannot be identified, there will be no trade, because the actual value

cannot be defined.

[...]

I: [...] How about rhino horn? (Asking about pricing.)

07D-19: 30,000 for one gram rhino horn.

I: 30,000 RMB (USD 4,400)?

07D-19: The old one.

[...]

07D-19: There was no African rhino in Ming/Chin dynasty.

I: Yes.

07D-19b: Nowadays it is getting harder to get Asian rhino...

07D-19: I can get it (Asian rhino). There are people from Hebei. They are specialized at crafting horn...

07D-19b: Ox horn? Sheep horn?

07D-19: No, they use resin and the tail hair of horse to mimic the texture of rhino horn.

I: Do you want to disclose them to the media?

07D-19: No. I researched this just for a while. For example, have you seen the pattern of bamboo?

I: It shouldn't be thick?

07D-19: And here comes the fish eggs pattern. People who craft fake horn cup are good at buffing. The eggs pattern are actually just bubbles during processing.

I: How do you tell whether?

07D-19: You can tell it by smell. There will be a strong smell if you burn it. The real rhino horn is with delicate texture, there will be no bubbles. The line on it is also delicate and thin.

[...]

I: How about the market of rhino horn? Is it hot?

07D-19: Basically, there's no trade going on.

I: So the pictures I saw on WeChat are all counterfeit?

07D-19: No, everything is fake. But some people will claim it is real, even though he can tell from the first sight. Why? He helped someone to cheat. The antique market is complicated. If you are too ignorant, then you will definitely be cheated.

Beijing

Beijing is the capitol of China and a primary destination city for the wildlife trade. The EAL team spent one day in Beijing to verify the availability of rhino horn. They were able to visit one of the many antique markets in the city and easily found rhino horn for sale. In fact, the team met POI 06D-18, a kind of wildlife product wholesaler, outside a shop to which he was trying to sell coral.

POI 06D-18 sells many types of wildlife products and used to traffic ivory from Burma. He showed the team his and his friend's WeChat sites that included both African and Asian rhino horn products. These included a whole horn, scrap, Buddha statues, a tea cup, and tea pot sets. He also works with a carving master and offers custom carving at a price of RMB 400 per day (USD 58). All items can be delivered via S.F Express courier within one day.

The use of established courier and shipping services, just like this POI references, is a significant trend that has been identified by this operation. Appendix C of this report includes a list of couriers identified by POIs.

Observations & Trends

EAL, through Operation Red Cloud's multiple field investigations, can say with high confidence that the black market for rhino horn is still active throughout much of China.

Culture, local and national economic factors, and corruption continue to drive both the supply and demand for rhino horn products in China. In fact, the wildlife products market in general is persistent among much of China's population; evidence that the plethora of demand reduction campaigns – attempts to change hearts, minds, and culture – are not enough to curb wildlife trafficking, and, in particular, too slow to bring an end to rhino poaching and trafficking before rhino populations are completely decimated.

This operation also confirms and expands the evidence that a significant portion of rhino horn products hitting the Chinese black market are being smuggled through the China-Vietnam border, with smaller quantities coming from Myanmar, Malaysia, Laos, and India. The majority of the rhino horn supply in China is now smuggled from Africa. Asian rhino products are rare and significantly more expensive than African rhino products.

Given that it is completely illegal to buy and sell rhino horn products in China, it is sad to say that **the business of trafficking and dealing in rhino horn is still pervasive and showing no clear evidence of waning.**

Smuggling Trends

The smuggling business is booming all along the China-Vietnam border, particularly in Guangxi Zhuang AR. Yunnan Province also experiences a significant amount of cross-border smuggling from Vietnam and Myanmar. The majority of people living along the borders are involved or complicit, in some manner, in the smuggling business, functioning as carriers (by foot, car, or boat), lookouts, dealers/traders, and complicit or bribed law enforcement. The following is a list of the prominent trends associated with smuggling contraband through these borders, all based on direct evidence acquired by EAL investigators on the ground in China and Vietnam.

Note that these trends were described very similarly by many of the Persons of Interest (POIs) met by the EAL investigators.

- Local populations use the smuggling business as a means to support themselves and their families as the economy in these areas has been declining.
 - A taxi driver can earn up to RMB 6,000 (USD 880) per month also carrying contraband through the border and/or working as a lookout for other smugglers.
 - Local police can earn up to RMB 1,000 (USD 150) per day charging people to pass through the China-Vietnam border inspection-free.
- Smugglers have moved away from using traditional logistics companies to ship contraband across the border and instead tend to use individuals as carriers; individuals can more easily pass through the border (via a port of entry or via illicit routes) without inspection or detection.
- In Guangxi, as well as certain locations in Yunnan, illegal goods are commonly transported through the border on unmonitored mountain trails.
 - Smugglers pay locals to transport goods through the mountains on foot or by motorcycle; making approximately RMB 3.00 (USD 0.44) per trip around Pingxiang and RMB 10-20 (USD 1.47-2.94) per trip around Dongxing.
 - Vietnamese of all ages transport contraband, often carrying more than 6 kilo-

- grams of contraband on their back at a time.
- The port of entry can be avoided by freely crossing the China-Vietnam border via 4 to 5 different mountain routes near Pingxiang; the shortest taking only about three minutes to cross.
- Motorcycles or other small vehicles wait at the end of the routes in China to transport the goods to their shipping locations.
- Smuggling appears to be ingrained in the culture of the region; it may be the chief business of Guangxi.
- Official ports of entry are also used, primarily by paid locals, in various locations (in Guangxi and Yunnan) to transport goods
 - Locals carrying goods (via foot or car) can cross the borders legally (sometimes requiring a passport) and simply pay the border guards to pass without inspection.
- Private border crossings are just as busy as official crossings and are known to be “looser” with their security.
 - Even when caught smuggling goods through the borders, many times individuals are able to immediately get out of jail by paying a small fine.
- Most high-crime smuggling occurs via the mountain and land routes, but moving goods across the border via boat is still a common practice in some areas.
- In Yunnan, both Myanmar and Chinese authorities tend to ignore or be involved in the smuggling trade; Myanmar wants the business from China and Chinese authorities want the bribes and fines paid by smugglers.
- In Hanoi, wildlife dealers claim to have built relationships (most likely via bribes) with particular shipping companies so that they can ship contraband directly to customers throughout China.
- Illegal wildlife goods are commonly hidden in rosewood furniture or coffee orders when shipped nationally or internationally.
- Similar routes are used by smugglers for all types of contraband, including illegal arms and narcotics.
- The corruption exhibited by customs and law enforcement authorities in Vietnamese and Chinese border regions is substantial; fining smugglers and taking bribes is standard practice at most ports of entry.

Smuggling Routes

As identified in the operation transcripts, smugglers move illicit goods through the China-Vietnam border via mountain trails, roads, and waterways depending on location, the goods being smuggled, and the level of border security. General trends associated with smuggling routes include the following:

- Mountain routes are used in locations where ports of entry require inspection of goods and/or law enforcement is tighter.
- In locations where goods are driven across the border, the cars used tend to be old with license plates covered or plates from another jurisdiction.
- Smuggling routes for goods with high value are generally transported via car as opposed to boat; drivers are more able to outrun authorities in a car as police boats are too fast.
- Scouts (or lookouts) are used by smugglers traveling by road to watch out for police patrols during the transport of goods; cars and trucks wait by the side of the road when patrols are spotted and only move when their scout indicates the route is clear.

Movement Patterns

According to multiple contacts met by EAL investigators, the movement of contraband, including rhino horn, generally exhibits the following patterns (See Figures 9 and 10):

1. Vietnam → Guangxi (border towns → Nanning) → Primary retail markets (Guangdong, Fujian, Zhejiang, Beijing)
 - Pingxiang to Nanning (goods may also travel through multiple towns/small cities on this route)
 - Dongxing (also Tongzhong and other border towns) to Fangchenggang or Qinzhou to Nanning
 - Nanning functions as a consolidation point for contraband smuggled into Guangxi; goods are then shipped or transported via highway (car or truck) to primary retail markets
 - Puzhai to Longzhou to Daxin to Nanning
2. Vietnam → Yunnan (Lang Son → Kunming) → Primary retail markets
3. Direct to primary retail markets; some Vietnamese traders use official shipping companies to ship directly to many Chinese provinces

Transport via motorbike

Transport via water

Transport via mountains

Transport via land

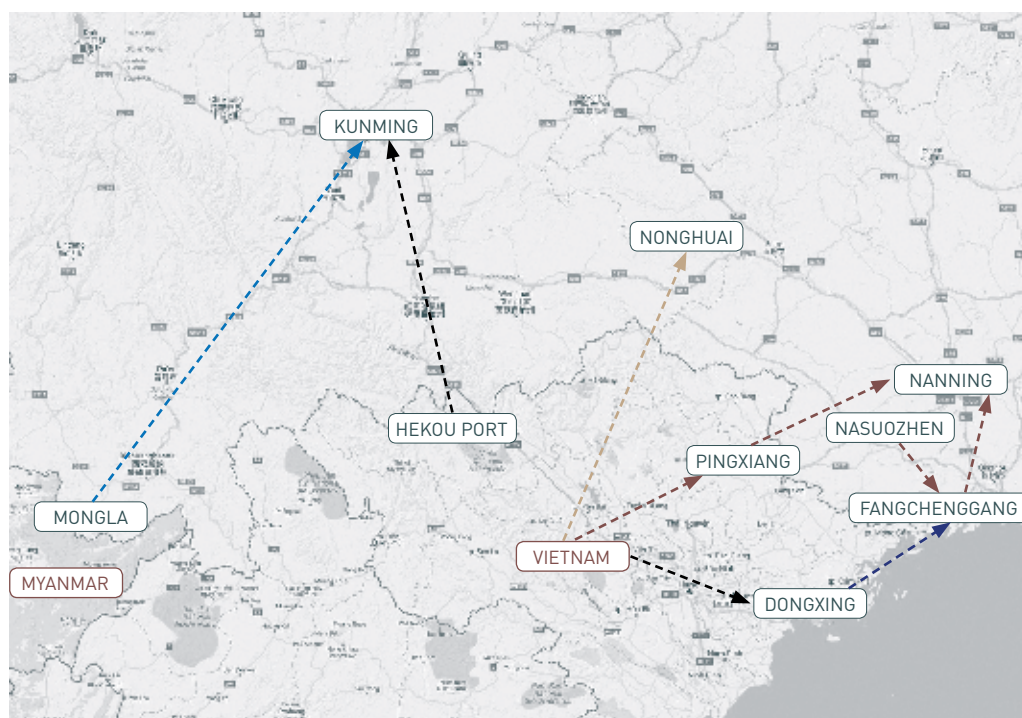


Figure 9. Contraband smuggling patterns as identified by EAL's Operation Red Cloud.

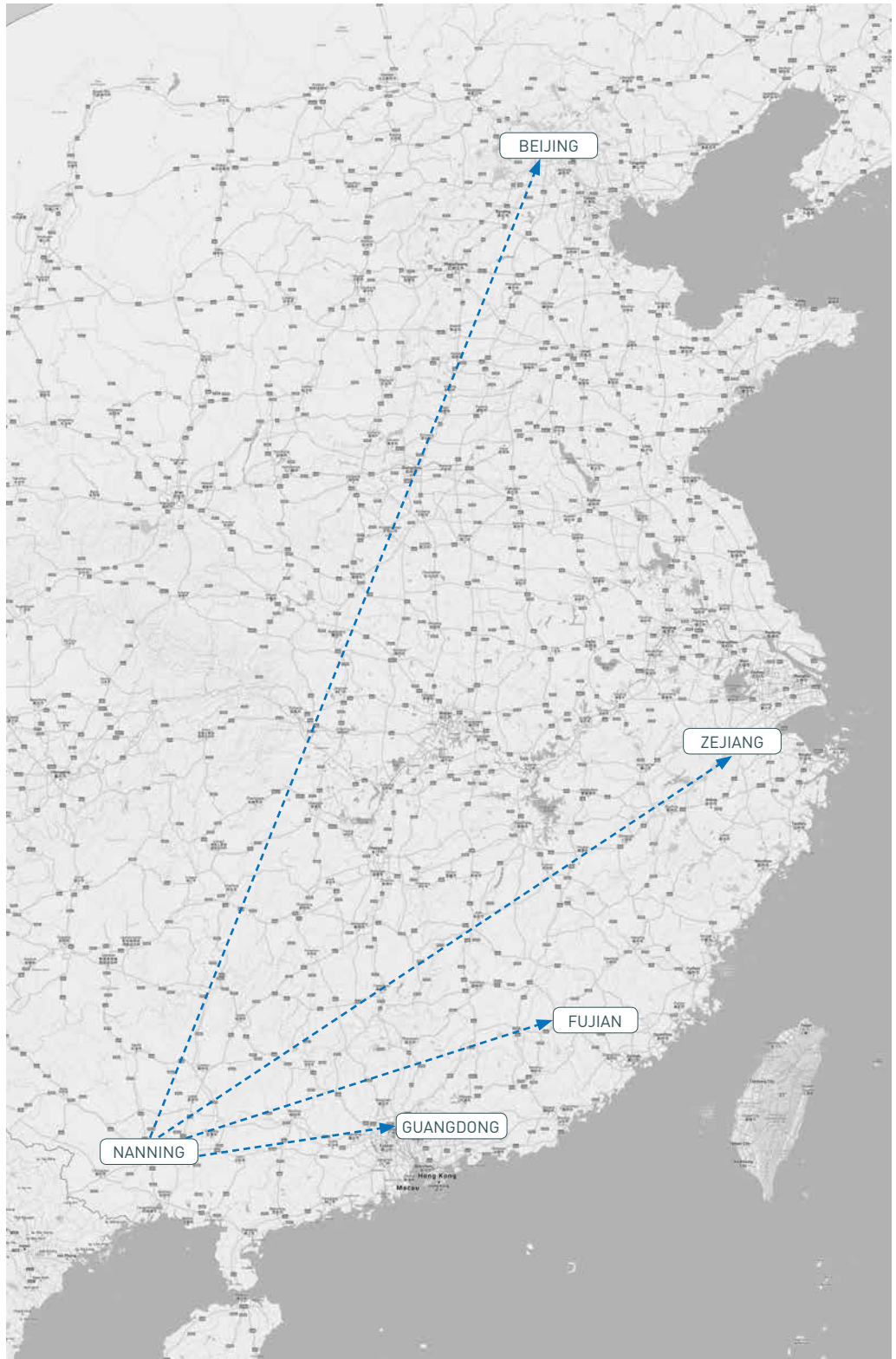


Figure 10.
Contraband
smuggling patterns
as identified EAL's
Operation Red Cloud.

The EAL investigative team

was able to find available rhino horn

in nearly every location visited.

Rhino Horn Market

The black market for rhino horn is alive and well in China. The EAL investigative team was able to find available rhino horn in nearly every location visited. Rhino horn products are not sold openly nor openly displayed in shops, but when confronted with a few niceties and targeted inquiries from buyers, dealers make themselves known. EAL investigators have identified the following trends associated with buying and selling rhino horn in China:

-  Dealers have established connections, in Vietnam or Guangxi in many instances, from where they source rhino horn stock.
-  Most dealers do not hold a large inventory of rhino horn (whole, raw, or carved), instead, material is sourced somewhat on-demand in order to avoid detection by authorities.
-  Due to frequent inspections and crackdowns in the primary retail markets, sellers are very cautious when dealing with unfamiliar people.
-  Ivory, rhino horn, and other illegal wildlife goods can be found at most redwood furniture and craft markets and traditional Chinese medicine markets in the regions investigated.
-  If a buyer is 'familiar' to the seller, he/she is generally charged less than a 'stranger' (new customer).
-  Many dealers offer delivery of wildlife products via courier services.
-  WeChat, the mobile application, is used extensively by dealers to connect with buyers and exhibit available rhino horn products; Alipay is used by many to process payment transactions.
-  One POI alleged that he sells rhino horn scrap to a Chinese international pharmaceutical company, Tong Ren Tang, for use in medical products.
-  A seasoned rhino horn dealer, with a position at the local Association of Collectors, alleged prior involvement with commanders in the Chinese military, where they used him to identify authentic wildlife products (such as rhino horn) for them to purchase, as well as allowed the Chinese navy fleet to pick up and carry wildlife contraband back to China.
-  Many contacts did indicate that the market for rhino horn has slowed in the past few years, most citing a downward economy, a crackdown on the practice of gifting government officials, and escalated law enforcement.

Rhino Horn Pricing

EAL investigators were quoted an array of prices for the many rhino horn products they viewed throughout the investigation. Pricing is generally based on weight (price per gram), but some dealers did quote prices per piece when the items were carved or worked in some manner. Other than weight and design, the following is a list of characteristics for which rhino horn sellers use to value various products:

- Color – The black portion of rhino horn (the core) is more expensive than the lighter parts because there is less of it; pieces that are all black are priced at a premium over mixed pieces.
- Portion of the horn – Pieces cut from the upper portion of the horn, and especially the tip, are more valued and more expensive.
- Blood pattern – Dealers claim the presence of a blood pattern in the horn signifies that the horn was removed while the animal was still alive; considered valuable so the price is higher.
- Raw whole, worked, or scrap – Scrap is generally the least expensive and used primarily for medical purposes; worked or basic cut pieces are priced based on the characteristics discussed above; and raw whole horns are priced by weight.
- Market location and availability of raw material – Prices quoted to the EAL investigators varied by location and concentration of available raw material.



Rhino horn statue

Prices have declined from the 2012-2013 highs when whole raw rhino horn was up to RMB 370,000 or USD 60,000 per kilogram (based on average exchange rate in 2013). During this operation, one dealer in China quoted a whole horn at RMB 180,000 (USD 26,500) per kilogram and another in Vietnam quoted RMB 275,000 (USD 40,000) per kilogram.

Appendix B of this report contains a list of all rhino horn products and pricing identified during this operation.

Other Illegal Wildlife Products

Although **Operation Red Cloud** was primarily focused on the rhino horn trade, EAL investigators witnessed many other illicit wildlife products available for sale. **Most vendors that deal in rhino horn also deal in multiple other illegal wildlife trades.** The products most prevalent, based on findings from EAL, are elephant ivory and pangolin scales. Additional products include tiger teeth, skins, bones, and penis, bear paws, bile and gall bladder, hawksbill turtle shells, helmeted hornbill beaks, snow leopard skins, civet cats, king cobras, wolf skin and teeth, and corals.

China is still the largest market for illegal wildlife products and this was evident in nearly all locations investigated by the EAL team. Vietnam is not far behind – most likely only because it is a smaller country.

A key POI in the rhino horn trade, 170-9, also deals in a number of other wildlife products. The EAL team was able to learn how 170-9 acquires and processes tiger bones, and what sometimes turns out to be lion bones.



We talked about tiger bones.

I: How much per kilo do you sell?

170-9: RMB 8,000 per kilo (USD 1,175).

[...]

I: What about tiger.

170-9: Less people doing tiger.

I: You sent me lots of tiger product photos on WeChat.

170-9: I did more tiger this year. Rhino horn's profit is less this year.

I: Where do you get the tiger? Vietnam? Wild ones?

170-9: From Laos. And Africa.

I: Africa has no tigers?

170-9: We get lion from Africa.

I: Lion bone. What is in Laos?

170-9: Tiger.

I: Farm one or wild one?

170-9: Wild one.

[...]

I: Is the Lion bone from Africa [sent] here or Laos?

170-9: To here (Vietnam).

I: How much is it?

170-9: RMB 6,000 per kilo (USD 880).

I: Did you freeze them or dry ones.

170-9: Dry ones.

[...]

170-9: I buy tiger from Lao's borders, 200 - 300 kgs. Wild ones.

170-9 shows pictures of how he butchers the tiger and makes it into tiger bone gel.

170-9: I butcher in my mother-in-law's house. I can't do it in my house.

I: Where is your mother-in-law's house.

170-9: In Lang Son.

170-9: I cooked this tiger for 3 days and 3 nights.

I: How's the taste...

170-9: Have to cook very slow.

POI 170-11, a restaurant owner in Lang Son, showed the EAL team a large glass jug of tiger cub wine – with the tiger cub floating in it. He prepared the wine himself, so the team wanted to know how her made it.

I: How do you put the tiger into the jar?

170-9: I straightened it. Then put the back feet into the jar first, then the body, head and the rest.

I: Does this tiger come from a farm or from the wild.

170-9: It was shot from the wild.

I: Where was it hunted?

170-9: From Lao.

[...]

I: How much is the tiger wine jar again?

170-9: VND 50 million (USD 2,200).

170-11 also sells civet, pangolin, bear paw, wild goat, and tiger balm. He received a call and had the following discussion while the EAL team was meeting with him.

170-11: Hello. Live pangolin? How many do you want?

Voice on the phone: Do you have any one which is around 3kg. I need two.



Tiger teeth
Elephant trunk
and Pangolin scales

170-11: Why are you asking for such a small one? I have to ask. What if they are a bit over 3kg, I am not sure I can get exactly 3kg ones for you.

Voice on the phone: Ok, over 3kg is fine. I need 2. What is the price for now?

170-11: From VND 4.4 to 4.5 million per kg (USD 197 to 202 per kg).

While in Yunnan Province, the team's driver in Jinghong offered to take them to meet a friend who sells ivory. He told them that small ivory items may be personally carried back 'home' and larger tusks can be sent by courier. In both Jinghong and Kunming, the team found multiple vendors offering ivory bracelets, pendants, chopsticks, and the like, as well as hawksbill turtle shell products, helmeted hornbill products, tiger teeth, and wolf teeth.

A shop owner in Kunming presented the team a helmeted hornbill beaded bracelet and explained that the hornbill is a kind of bird from Malaysia.

I: How much is it?

30MY-33: RMB 28,000 (USD 4,100)

I: Why is it so expensive?

30MY-33: Every bit has one red dot in the middle so you have to think how many birds are needed to make one bracelet.

A shop owner in Dalou (China/Myanmar border town) near Jinghong, showed the investigators tiger teeth at a price of RMB 7,000 each (USD 1,025), elephant ivory bracelets and pendants, and two species of pangolin scales. Another vendor in Kunming, a leather and fur retailer, showed the team two tiger skins priced at RMB 3,500 each (USD 510), two leopard skins also at RMB 3,500 (USD 510), and one snow leopard skin at RMB 5,000 (USD 730). There were two more very large tiger skins, over 2.5 meters long, that the vendor said will sell for RMB 140,000 each (USD 20,500). All the skins were sourced from India and Tibet.

I: What is that?

29MY-11: Tiger skin and leopard skin

I: How much is it?

29MY-11: RMB 3,500 each (USD 510)

I: Where does it come from?

29MY-11: Tibetan area.

I: Is the tiger also from Tibet?

29MY-11: Yes.

I: How do they come from Tibet to here?

29MY-11: All of these are from the mountain

I: Size wise, is this considered small or large?

29MY-11: Large.

I: This looks like it's over 2 meters long.

29MY-11: Yes

[...]

I: What is that white one (snow leopard skin)?

29MY-11 goes over to grab another roll of leopard skin fur.

29MY-11: This is a very good one.

I: Why didn't you take it out earlier?

This one looks prettier.

29MY-11: Yeah, this is a better one.

I: How much is this?

29MY-11: Slightly higher, RMB 5,000 (USD 730)

He went over and unrolled another leopard and tiger skin.

I: are these also from Tibet?

29MY-11: Yes, between the India and Tibet border.

I: Are Tibetan or Indian people doing the hunting?

29MY-11: Oh they both do it, the people living in the mountains.

I: Is there a supplier bringing you the goods?

29MY-11: Yes.

I: Won't you get checked?

29MY-11: No, from inside the country it is okay, only abroad.

Importing from other countries is not allowed, and hunting tigers in our country is not allowed. The large ones cost more than RMB 100,000 (USD 14,750), depending on the size, some of them are RMB 80,000 (USD 11,800) and some are RMB 90,000 (USD 13,300).

[...]

I: Does your supplier still have tiger skin?

29MY-11: Oh he still has many.



I: Is he specialized in this trade?

29MY-11: Yes he is. He gets it all from India by himself.

He drove from India and smuggled illegally. You will get it confiscated from the border control.

I: That's quite risky.

29MY-11: That's why he sells it very expensively. If you go through the customs you have to give RMB 20,000 (USD 2,950) handling charge (from India to Tibet).

29MY-11 emphasizes that the border control gets money from the illegal wildlife trade.

In Guangxi Zhuang AR, ivory and other wildlife items are prevalent in nearly all the locations and shops visited by the EAL investigators. Pingxiang and Dongxing shops tended to stock ivory bracelets and pendants only, small pieces, but offered additional wildlife items via WeChat. In Nanning, with the appropriate connections, one can purchase ivory but will not find it openly displayed in many shops. Customers can also consume pangolin and other wild game in various restaurants. As with ivory, it is best to have a connection to one of these restaurants and order in advance.

I: So what do you think? Does it help the texture of skin?

28A-3: You can see the result after using two packages.

We: How much is it?

28A-3: The raw one (pangolin scale) is RMB 3,300 per kilo (USD 480).

We: How about the marinated one?

28A-3: RMB 3,800 per kilo (USD 560).



Ivory tusks

A contact in Nanning discussing pangolin poaching and trafficking had the following to say.

19S-5: *One pangolin is worth than RMB 1,000 (USD 146). And once you can smuggle more than dozens [at a time].*

I: *Then it's RMB 200,00 to 300,000 (USD 29,000 to 44,000).*

19S-5: *See, it's a huge money. How long do the normal folk need to earn such a fortune? [...]*

19S-5: *Once we ate game at the forest public police. No one inspect. Civet, pangolin, and king cobra. They are all under national conservation. They inspected and ate it.*

I: *Okay...Wait, the police themselves ate it?*

19S-5: *Yes. Most of them have dozens of spirit pot with king cobra at home.*

In Guangdong Province, the investigators continued to find all manner of wildlife products for sale, along with evidence of law enforcement complicity. In Xianyou, one

of the key POIs with regard to rhino horn also provided interesting information about the ivory trade.

I: *Are there people in the ivory business?*

04D-17: *Yes, more than rhino horn.*

I: *But you mentioned about the confiscations..*

04D-17: *The police tend to run after rhino horn. Both businesses are risky. There is more need for ivory than rhino horn, it's about 100 to 1. Ivory is affordable for ordinary customers, but the rhino horn is really for people who are financially sufficient.*

I: *The ivory trade here is focused on tusks or processed [pieces]? Or, it was sold to other places for further processing?*

04D-17: *The finished products.*

I: *What do you mean?*

04D-17: *There are a lot of them (worked ivory products). We have the polished one as a base, some are carved into statues or into other shapes. Our products here are famous for the crafting skill. Therefore we have less focus on raw material.*

I: *And who are your main customers? Guangzhou?*

04D-17: *Not exactly, all over China.*

In Guangzhou, one contact showed the team ivory bracelets, beaded bracelets, and bear bile while he looked for information on rhino skin on WeChat. He is also in the business of tiger skin, bone, and teeth.

02M-1: *[...] We rarely sell rhino horn, mostly we sell bear bile, tiger teeth, and tiger bone.*

I: *How much is the price of bear bile?*

02M-1: *Market price is RMB 60/g (USD 8.80).*

I: Do you sell it as a whole?

02M-1: Yes. It depends on the weight. The small is about 40g and the big one is about 100g. That is to say, the price falls between RMB 2000 and 6000 (USD 290-880).

An antique shop in Zhanjiang offers bracelets made from hawksbill sea turtle shell. The vendor said they can craft a bracelet in 30 minutes and one turtle shell can be crafted into two bracelets at a width of 3 to 4 cm. Another shop, a branch of a larger retailer, offers ivory chopsticks, bracelets, and statues, tiger teeth, hawksbill sea turtle shell, and pangolin scales.

I: How about your ivory? It's a bit European style.

04M-20: It's the old one.

I: How about the price of ivory?

04M-20: The price is lower than previous.

04M-20: [...] If the ivory is legal again, the price will drop.

I: How about the price of ivory now?

04M-20: Good one is about RMB 10,000/kg (USD 1,500).

[...]

I: How about ivory? How can I import?

04M-20: The good one, the large one are still available, 2 meter in length and 20-30 cm in diameter.

I: How can you find such raw material like this, but it's too risky.

04M-20: It's rare, but it's so beautiful as home decoration.

You cannot sell it on the street.

I: No, I am scared to have one at home.

04M-20: It's fine. My friend has 2 beautiful, 2 meter ones at home.

W: From Africa?

04M-20: They are rich. Yes. The big ones are from Africa.



Tiger paste

POI 06D-18 in Beijing showed EAL investigators his friend's WeChat site containing many wildlife products for sale. His friend is a wholesaler. **Products shown via photos included tiger penis, bone, and balm (no photo for tiger skin, but it was available), elephant ivory bracelets, wolf teeth and skin, helmeted hornbill bracelets and beads, carved pieces, and a whole beak, and bear gall bladder in addition to various rhino horn products.** 06D-18 also had access to a master carver for custom carving services at RMB 400 per day (USD 59), and is able to arrange delivery of purchased products by a courier service.

These accounts are just a few examples of the many wildlife dealers in Vietnam and China, and the means by which they sell wildlife products, as identified by EAL investigators. Of course, **Operation Red Cloud** most likely only uncovered a fraction of the number of dealers and volume of available wildlife products actually in play within these countries.

Confidential Intel Brief

In addition to this public report on **Operation Red Cloud**, Elephant Action League (EAL) has prepared a comprehensive Confidential Intelligence Brief (CIB) to share with law enforcement authorities. EAL is submitting the CIB only to trusted officials at agencies best positioned to take effective action.

The CIB contains information that is not included in this public report. This includes full names, addresses, and contact information (as available) for each Person of Interest (POI), as well as in-depth descriptions of their businesses, illegal activity, and trade network connections. EAL's investigators prepared the CIB from the many hours of undercover recordings and daily activity logs. The team translated all video and audio recordings from Chinese to English and prepared case files on every individual with whom the team interacted during **Operation Red Cloud**.

The result is a CIB approximately 200 pages long with detailed data on the following numbers of POIs:

- Persons of Interest Connected to Rhino Horn Trade = 33
- Persons of Interest Selling Other Wildlife Products = 12
- Persons of Interest – Informants = 9

Again, the full list of POIs with a short description of each is included in Appendix A of this report. For a better idea of what a brief looks like, the following are redacted pages from the **Operation Red Cloud** CIB.

The CIB is arguably the most important piece of output from this investigative operation. It is the CIB that provides law enforcement authorities the means by which to take immediate action. That action may include additional investigations, arrests and prosecution of traffickers and traders, and even improvement of policy and enforcement activities in the regions involved in the illicit wildlife trade. For **Operation Red Cloud**, the CIB will be shared with applicable Chinese and Vietnamese authorities in a position to facilitate this further action. It will also be shared with a few U.S. law enforcement agencies.

Additionally, EAL will distribute the CIB to a range of allies in the NGO and public sectors, through outreach to collegial organizations, working on wildlife poaching and trafficking in **Operation Red Cloud** locations.



REDACTED SAMPLE FOR THE PUBLIC REPORT

Confidential Intel Brief (CIB) Operation Red Cloud

CAVEAT

This Confidential Intel Brief (CIB) is provided for intelligence and law enforcement purposes only.

The information contained in this document has not been classified using the Admiralty Code as the Elephant Action League (EAL) is not a law enforcement agency.

However, if it was to be internally graded using this system it would have been graded as B2.

The information has been collected directly by, and where possible corroborated by EAL investigators.

As EAL does not engage in purchasing wildlife products it is difficult to gauge the ability of traders to back up their claims of supply capabilities.

The subject personal information contained within this document was accurate as of 30 June 2017.

This CIB contains information on 33 persons of interest (PoI) directly involved in the rhino horn trade, 22 PoI providing other wildlife products and persons with knowledge of the trade and associated companies in Mainland China.

It integrates the information published on the public report

"Grinding Rhino", released on 18th July 2017.

The two documents should be read together.

REDACTED SAMPLE FOR THE PUBLIC REPORT



REDACTED SAMPLE FOR THE PUBLIC REPORT

CONFIDENTIAL INTEL BRIEF (CIB)

Prepared By: Andrea Crosta, Executive Director, Elephant Action League (EAL)

Release Date: June 2017

Shared with:

Regarding: Observed Illegal Rhino Horn trafficking in China and through the China-Vietnam border as a result of an undercover investigation by EAL investigators

Introduction

This Confidential Intel Brief (CIB) is prepared to provide suitable law enforcement agencies with up-to-date information about rhino horn smuggling activities undertaken in Mainland China and Vietnam.

EAL's investigators conducted investigations over a 11-month period from August 2016 through June 2017, both in China and Vietnam.

The investigative activity shed light on the trafficking methods and routes used, as well identified important trends in the rhino horn markets.

This CIB is intended to be read in conjunction with the Appendices which provide detailed information on the Persons of Interest (PoI), as well as photos, excerpts of conversations and additional information on the entities involved.

Appendix A focuses on the PoIs directly involved in the sale or smuggling of rhino products, while Appendix B and C provide an overview of the people offering illegal wildlife products other than rhino horn.

Appendix D provides a detailed list of all the rhino products offered for sale to EAL's team during the investigations.

Appendix E focuses on the other entities potentially involved in the rhino smuggling chain.

The findings in this CIB should also be considered in conjunction with the information provided in EAL's "Grinding Rhino" public report, which provides a comprehensive picture of the rhino horn markets in China and Vietnam.

It is hoped that the relevant authorities will use this information to aid in official investigations into the parties in question. EAL will also provide the video footage from this investigation via a password-protected link upon request.



REDACTED SAMPLE FOR THE PUBLIC REPORT

Pol n. 4 – 19 September 2016: XXXX (RHINO AVAILABLE)

PHOTO ONLY FOR LAW ENFORCEMENT		Name and Public Report POI ID Mr. (redacted on public report) / 19S-4
DoB		NA
Sex		Male
Residential Address		NA
Date of the meeting		XX September 2016
Location of the meeting		Nanning
Business Address XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX		Mr. (redacted), contact on WeChat phone: 18..... 18..... 18.....
<p>Summary:</p> <p>He is a Chinese, from (redacted), selling rhino goods. After discussing with the investigators about the rhino horn sale invites them to visit his studio where he stocks rhino products.</p> <p>Alleged crimes:</p> <p>He sells rhino horn. Sells the rhino horn in the original form so that the customers can see the pattern. Customers can ground it afterwards ^{(NOTE 1)(NOTE A)}.</p> <p>He sells black rhino horn bracelets and the price is the same, because he buys the whole horn ^(NOTE 2).</p> <p>He knows that the sale of rhino horn is forbidden, still he says he can get it from Vietnam and take care of all the logistic matters in order to ship it to China ^(NOTE 3).</p> <p>He also has rhino scrap to sell, which is cheaper and can be used for medical purposes ^(NOTE 4).</p> <p>He sells both raw rhino horn and semi-crafted pieces, but he sells only to familiars and people he knows ^(NOTE 5).</p> <p>He shows rhino products in a bucket, which are freshly made and on sale ^{(NOTE 7)(NOTE B)}.</p> <p>XXXXXXXXXXXXX CONTINUES</p>		



REDACTED SAMPLE FOR THE PUBLIC REPORT

English audio transcript reference:	NOTE 1: AUDIO/20160919-01, min. 01:27 NOTE 2: AUDIO/20160919-01, min. 02:35 NOTE 3: AUDIO/20160919-01, min. 08:05-09:50 / 10:55 NOTE 4: AUDIO/20160919-01, min. 12:00 NOTE 5: AUDIO/20160919-01, min. 14:45 NOTE 6: AUDIO/20160919-01, min. 15:40 NOTE 7: AUDIO/20160919-01, min. 19:52-29:40 NOTE 8: AUDIO/20160919-01, min. 33:00 NOTE 9: AUDIO/20160919-01, min. 34:10 NOTE 10: AUDIO/20160919-01, min. 35:35 NOTE 11: AUDIO/20160919-01, min. 37:06 NOTE 12: AUDIO/20160919-01, min. 44:00 NOTE 13: AUDIO/20160919-01, min. 44:20
Chinese transcript reference:	
Chinese Audio reference:	
Video reference:	NOTE A: VIDEO 19 Sept/FNPD0464_20160718145529.MOV, min. 04:13 NOTE B: VIDEO 19 Sept/FNPD0464_20160718145529.MOV, min. 13:54

FIGURES:

1



2



EAL's Rhino Horn Investigation in South Africa In-Progress

Operation *Giona*

This report has presented EAL's findings on the status of the rhino horn trade in China, as well as the movement of rhino horn from Vietnam to the Chinese market – the end of the supply chain. Meanwhile, Elephant Action League (EAL) is also running an investigative operation at the beginning of the rhino horn supply chain, in South Africa.

In October 2016, EAL began **Operation *Giona***, a long-term intelligence collection program and investigation into rhinoceros poaching and trafficking of rhino horn in South Africa, with a focus also on the smuggling routes into Mozambique. Following implications of a geographical shift in poaching rates from Greater Kruger National Park (KNP) to KwaZulu-Natal (KZN) Province, South Africa, EAL investigators set out to map the illicit rhino horn supply chain through KZN, Swaziland, and lower Mozambique in order to inform authorities, and other organizations working within and outside Southern Africa, how to effectively disrupt rhino horn trafficking routes and distribution networks, and possibly prevent continued poaching.

The overriding objective of this operation is to follow leads in the context of a better, broader contextual understanding of the regional rhino horn trade to identify the routes, all the players, and the organizational infrastructures that enable rhino poaching and rhino horn trafficking.

Operation *Giona*'s project Intelligence, Surveillance and Reconnaissance (ISR) activities are focused on finding the convergent locations (critical points) in the movement of rhino horn within Southern Africa. The purpose is to find the points at which intervention can disrupt supply chains before contraband is transferred from local criminal networks to international trafficking routes, and to identify the individuals who should be targeted for arrest and prosecution.

Operation *Giona* is producing an incredible amount of intelligence, several leads, and multiple lines of investigations. These investigations are in progress and will continue through 2017. Just like Operation ***Red Cloud***, a public report will be prepared upon completion of the operation and a Confidential Intelligence Brief (CIB), along with applicable case files, will be shared with trusted local, national, and international authorities for further action.

Conclusions

Through **Operation Red Cloud**, EAL investigators successfully mapped the rhino horn supply chain from Vietnam into China and then through the primary Chinese markets. The operation team was able to identify a significant number of rhino horn smugglers, distributors, and dealers within the supply chain, and gather concrete intelligence on the modus operandi of these players. Interacting with such a large number of contacts in so many locations allowed the EAL team to really pinpoint how rhino horn is moved through the supply chain, where law enforcement efforts are weak, and where corruption plays a role in the process. It is this information that will inform further action to effectively disrupt rhino horn trafficking routes and distribution networks in Vietnam and China.

Key trends that will require further action include the following:

-  Rhino horn was found in nearly all locations investigated by the EAL team. The black market for rhino horn in China is stable and strong. Rhino horn and other wildlife contraband often move from Vietnam to the Guangxi or Yunnan Provinces and then to China's primary retail markets (Guangdong, Fujian, Zhejiang, Beijing). – **Chinese and Vietnamese authorities will need to identify and implement varied initiatives in order to tackle this complex trade web.**
-  The price identified during this investigation is between USD 26,500/kg and 40,000/kg for whole raw rhino horn, and USD 34 and 70/g for cut objects (see the full list of products and pricing in Appendix B).
-  Local populations use the smuggling business as a means to support themselves and their families. – How will these populations be affected by policy and enforcement actions?
-  Smugglers tend to use individuals as carriers; individuals can more easily pass through the border (via a port of entry or via illicit routes) without inspection or detection. – Is there any way to target such an informal practice?
-  Official ports of entry and private border crossings are both used to smuggle goods, but private crossings have weaker security. – What policy and law enforcement changes need to be made to tighten controls over Guangxi and Yunnan borders?
-  Most high-crime smuggling occurs via the mountain and land routes, but moving goods across the border via boat is still a common practice in some areas. – Who or what agencies can most effectively address so many moving parts? How can they use identified points of convergence to disrupt the flow of rhino horn?
-  In Hanoi, wildlife dealers claim to have relationships built (most likely via bribes) with particular shipping companies so that they can ship contraband directly to customers throughout China. – How can Chinese authorities, or the courier/shipping companies themselves, effectively monitor and prevent this practice?
-  Within China, many traders offer delivery of illicit goods via courier services. – Again, how can legitimate courier services monitor and prevent this practice so they are not seen as being complicit in illegal trades?

- 🐘 Smugglers use similar routes for all types of contraband, including illegal arms and narcotics. – Can joint law enforcement efforts be used to target multiple types of contraband, including wildlife trafficking?
- 🐘 The corruption exhibited by customs and law enforcement authorities in Vietnamese and Chinese border regions is substantial; fining smugglers and taking bribes is standard practice at most ports of entry. – How can this systemic corruption be addressed along China's borders?
- 🐘 Many illegal wildlife product dealers are involved in the redwood furniture business, or similar art and antiques businesses, and traditional Chinese medicine markets, with established connections in Vietnam and/or Guangxi. – This knowledge aids identification of potential dealers (in addition to those already identified by the EAL team).
- 🐘 Most dealers do not hold a large inventory of rhino horn (whole, raw, or carved), instead, material is sourced somewhat on-demand and primarily sold only to familiar customers in order to avoid detection by authorities. – Further sting operations may be required to catch traders holding and selling rhino horn products.
- 🐘 WeChat, the mobile application, is used extensively by dealers to connect with buyers and exhibit available rhino horn products; Alipay is used by many to process payment transactions. – Are these applications monitored or can they be? Can the company be forced to close accounts for individuals using the apps to sell illicit goods?
- 🐘 One POI alleged that he **sells rhino horn scrap to a Chinese international pharmaceutical company, Tong Ren Tang**, for use in medical products. – This is unconfirmed by EAL and denied by another POI that previously worked for the company, but it is a lead that requires further inquiry by Chinese authorities.
- 🐘 Another POI, the rhino horn dealer who is a Vice President of the local Association of Collectors, claimed prior involvement with commanders in the Chinese military, where they asked him to identify authentic wildlife products (such as rhino horn) for them to purchase, as well as allowed the Chinese navy fleet to pick up and carry wildlife contraband back to China.
- 🐘 Many contacts did indicate that the market for rhino horn has slowed in the past few years, mostly citing a downward economy, a crackdown on the practice of gifting government officials, and escalated law enforcement. – How can this momentum be strengthened?

It is hoped that applicable law enforcement authorities, as well as any NGOs working to thwart wildlife trafficking within the areas of investigation, will use the detailed intelligence gathered during **Operation Red Cloud** to effect real change and true disruption of the illicit rhino horn trade. It is EAL's intent to support and further aid these actions, and help coordinate action taken in the latter part of the rhino horn supply chain (Southeast Asia) with disruption activities at the beginning of the supply chain (Southern Africa).

More information about EAL, **Operation Red Cloud**, and rhino horn trafficking and trade may be found at <https://www.elephantleague.org>.

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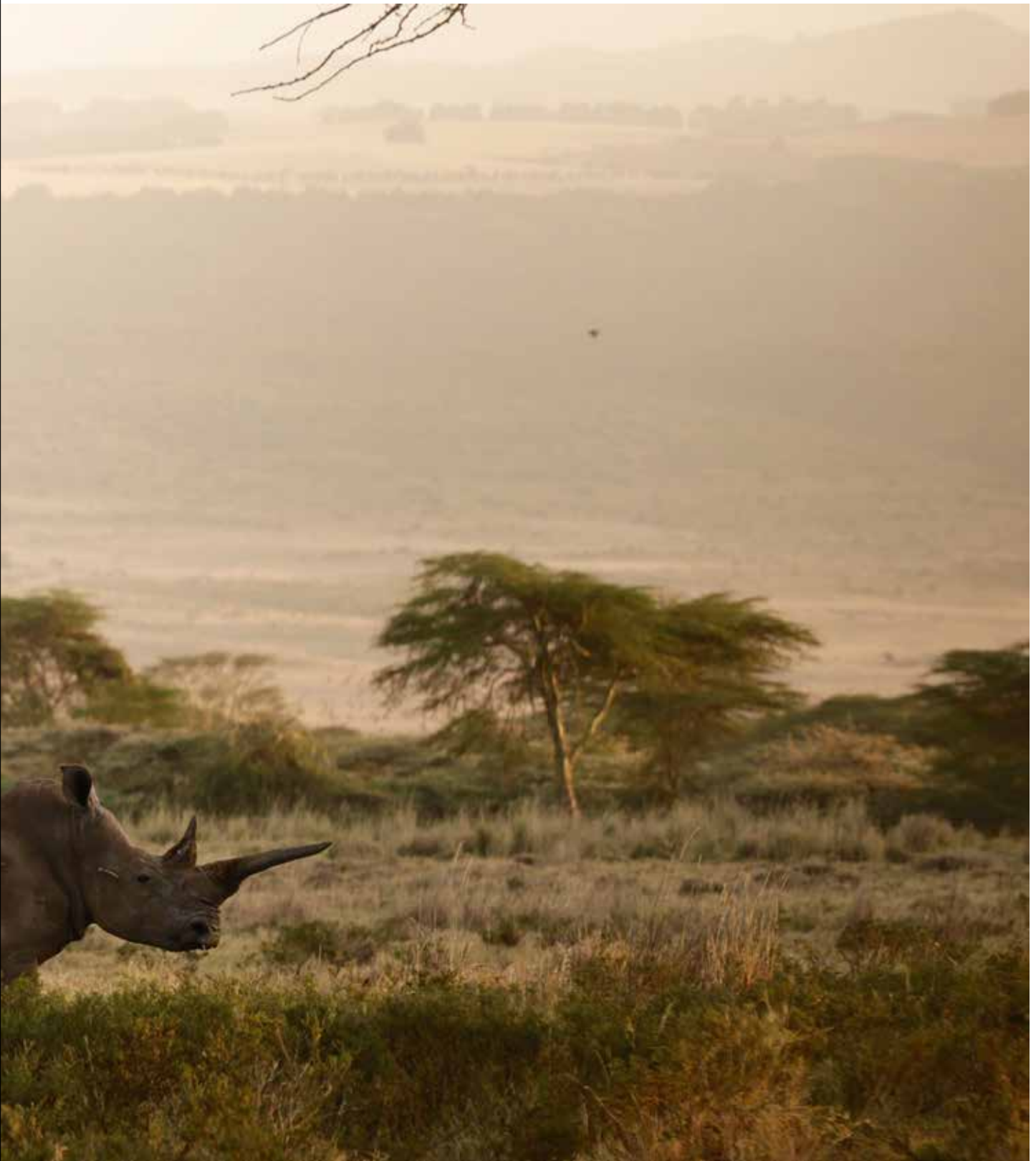
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Appendix A

Persons of Interest Summary

INTERNAL POI ID	CITY/TOWN	LOCATION OF MTG	RH	POI SUMMARIES
06D-18	Beijing	Beijing Antique Town	Y	Wildlife products seller; shows investigators rhino horn and many other products via WeChat; in contact with carving master for custom carving
26MY-28	Dalou	Border Jade Market	Y	Does not sell rhino horn, but introduced team to another contact that does; recommends visiting the duty free store to find ivory, tiger teeth
27MY-29	Dalou	Personal Address	Y	Key POI - Huge availability of rhino horn imported from Myanmar; requires advance payment, sends from Wa State, sells via WeChat
27MY-31	Dalou	Dalou Market	Y	Met her on request of 27MY-29 (family member) and her husband sells tiger skin, leopard, raccoon, and bear; makes tiger bone wine
07M-23	Guangzhou	Art & Craft Shop	Y	Shop owner and carving specialist; has connections in the rhino horn carving market
07M-24	Guangzhou	Art & Craft Shop	Y	Rhino horn seller; showed three high-value rhino horn carvings
02M-35	Guangzhou	Unknown	Y	Wildlife products dealer; can get rhino horn from Vietnam; sells many other types of wildlife
170-10	Hanoi	Viet Trung Hotel / Warehouse	Y	Wildlife products dealer linked to POI 170-9; rhino horn seller; offers horn tip and whole raw horn
170-9	Hanoi	Various Locations; Viet Trung Hotel	Y	KEY POI - Very significant wildlife dealer/ trafficker in Vietnam; extensive online sales of rhino horn, ivory, tiger teeth, tiger skin, etc. - introduces POI 170-10 and provides much information on shipping to China
28MY-32	Jinghong	Jade & Rosewood Market	Y	KEY POI - Seller of significant amount of rhino horn (whole horn, tips, slices, raw off-cut) and ivory (bangles, pendants, beads); has own workshop; also has tiger teeth and penis
27MY-25	Kunming	Flower & Bird Market	Y	Shop owner that has a friend that sells rhino horn; contacts friend and gets photos and pricing
27MY-26	Kunming	Art & Craft Shop	Y	Seller of rhino horn (tablet) and ivory (tablets and bracelets)
30MY-27	Kunming	Chinese Medicine Market	Y	Seller of rhino horn but does not keep it in his shop; sells rhino horn scrap
30MY-33	Kunming	Antique Hall	Y	Shop owner selling ivory. including bracelets, pendants, hanko, chopsticks, a rhino horn cup and bracelet, hawksbill shell products, hornbill bracelet, tiger teeth, and wolfs teeth
170-11	Lang Son	Restaurant	Y	Restaurant owner selling and serving many wildlife products - civet, pangolin, wild goat, tiger cub wine, tiger balm; also sells rhino horn and other wildlife products
19S-4	Nanning	Nanning - Studio/Warehouse	Y	KEY POI - Rhino horn dealer on WeChat and via shops; studio with stocks of horn; sells raw and semi-crafted horn; discusses quality, pricing, scrap, transporting, etc.
25S-6	Nanning	Wei Kang Market - Chinese Medicine Shop	Y	Rhino horn and pangolin flake available; imports horn from Guangzhou not Vietnam

INTERNAL POI ID	CITY/TOWN	LOCATION OF MTG	RH	POI SUMMARIES
25S-7	Nanning	Wei Kang Market - Chinese Medicine Shop	Y	Rhino horn available; provides investigators contacts for logistics solutions
25S-8	Nanning	Wei Kang Market	Y	Rhino horn seller, African only; suggests looking for Asian rhino horn at a location in Peking
26A-1	Pingxiang	Pingxiang Redwood Shopping Mall	Y	Ivory seller; avoids selling rhino horn, but has 10 to 20 contacts in the rhino business
26A-2	Pingxiang	Pingxiang Redwood Shopping Mall - Shop	Y	Possesses pass to cross border into Vietnam easily; introduces investigators to rhino horn seller
26A-3	Pingxiang	Pingxiang Redwood Shopping Mall	Y	Ivory and rhino horn seller; descriptions of lax border controls and bribing practices
03D-12	Putian	Wood Craft Shop	Y	Only involved in wood; suggests the investigators go to Xianyou for rhino horn
03D-13	Putian	Wood Craft Shop	Y	Only involved in wood
03D-14	Putian	Art & Craft Shop	Y	Ivory seller; very possible also sells rhino horn behind closed doors
03D-15	Putian	Art & Craft Shop	Y	Does not sell rhino horn, but has friends that do and will introduce the investigators; also offers to help investigators find vendors in Xianyu
23S-5	Tongzhong	Local Hotel	Y	Restaurant owner serving pangolin and other game; refers investigators to Chinese medicine store in front of the restaurant for rhino horn
04D-16	Xianyou	Art & Craft Shop	Y	Does not sell rhino horn, but offers to contact friends who may have product
04D-17	Xianyou	Wood Craft Shop	Y	KEY POI - Has huge amount of rhino horn products available for sale; connection to "the big bosses" and indirect contacts with craftsman; offers much information about rhino horn trade
04M-20	Zhangjiang	Art & Craft Shop	Y	KEY POI - VP of an association of collectors and owner of art/antique establishment; rhino horn seller; provides information on pricing, crafting methods, and references army/navy commander involvement in smuggling operations
05M-21	Zhangjiang	Art & Craft Shop	Y	Specializes in rhino horn carving market, primarily beads for bracelets; contacts another shop to help investigators find raw material
05M-34	Zhangjiang	Art & Craft Shop	Y	Shop owner that had a significant amount of rhino horn products in a drawer under a glass display case; claimed he had Asian horn and other shops only had African.
06M-22	Zhangjiang	Art & Craft Shop	Y	Wildlife products seller; some rhino horn available; claims good quality horn is rare
07D-19	Zhenzhou	Unknown	Y	Collector - related to high ranking government official; has rhino horn available for sale at times; offers information about rhino horn use and investment; second collector at the meeting - President of the Association of Collectors (conversation include 2nd collector)

INTERNAL POI ID	CITY/TOWN	LOCATION OF MTG	RH	POI SUMMARIES
27MY-30	Dalou	Wa State Gov-Owned Shop	N	Seller of ivory and tiger bone wine
27MY-9	Dalou	China/Myanmar Border	N	Seller of wildlife products; ivory, tiger teeth, pangolin scales
28MY-10	Jinghong	Driving to Jinghong	N	Didi Taxi driver; has a friend that sells ivory; driver offers the ivory to his hotel guests
29MY-8	Jinghong	Flower & Bird Market	N	VP of Yunnan Jewelry Association and Jewelry & Jade Culture Promotion; sells helmeted hornbill beak items
29MY-11	Kunming	Antique Hall	N	Owns a leather store; sells skins including tiger, snow leopard, and leopard
25S-4	Nanning	Wei Kang Market - Chinese Medicine Shop	N	Seller of pangolin flake
28A-2	Nanning	Herbal Medicine Market	N	Seller of pangolin scales; dry flakes, raw scales, marinated scales; scales imported, not live pangolins
28A-3	Nanning	Herbal Medicine Market	N	Seller of homemade dry pangolin scales; customers can pay via WeChat and Alipay
25A-1	Pingxiang	East Union Shopping Mall	N	Seller of ivory bracelets and pendants, some agarwood
05M-5	Zhangjiang	Art & Craft Shop	N	Seller of ivory and pangolin scales from Yunnan
05M-6	Zhangjiang	Art & Craft Shop	N	Seller of ivory
05M-7	Zhangjiang	Art & Craft Shop	N	Vendor - no wildlife products
25MY-9	Dalou	Persons with knowledge of rhino horn trade	-	Taxi driver; suggest jade and craft market in Dalou border for ivory; also a craft street in Jinghong
21S-7	Fengcheng-gang	Persons with knowledge of rhino horn trade	-	Taxi driver; gives information about the smuggling routes to Fengchenggang
28MY-10a	Kunming	Persons with knowledge of rhino horn trade	-	Taxi driver; gives information about available wildlife products in a restaurant
18S-3	Nanning	Persons with knowledge of rhino horn trade	-	Taxi driver; gives information on the availability of wild animals in restaurants
19S-5	Nanning	Persons with knowledge of rhino horn trade	-	Charter driver who also smuggles beef from Vietnam and Brazil and is often hired to be a look-out for police
20S-4	Nanning	Persons with knowledge of rhino horn trade	-	Taxi driver; smuggles as a second source of income to support his family; provides information about the smuggling routes and methods
28A-2a	Nanning	Persons with knowledge of rhino horn trade	-	Taxi driver; tells investigators about a restaurant where they can find pangolin
25A-1a	Pingxiang	Persons with knowledge of rhino horn trade	-	Taxi driver who gave relevant and detailed information about routes and methods used by smugglers to transport goods
22S-8	Qinzhou	Persons with knowledge of rhino horn trade	-	Taxi driver; gives information about the smuggling methods (bribes, look-outs, routes)

RH (Y) = POI sells rhino horn or has connections/information

Appendix B – Product List

Seller	Where	Rhino Horn Item	Size	Price - RMB	Price - USD*
26A-3	Pingxiang	Rhino horn bracelet		10,000 / piece	\$1.500
19S-4	Nanning	Scrap		300/g	\$44
		Black horn	500-600 /g	260/g	\$38
		Horn	60 /g	260/g	\$38
		Horn	80 /g	260/g	\$38
23S-5	Tongzhong	Horn		480/g	\$70
25S-6	Nanning	Rhino horn sliced stick		33/kg	
25S-7	Nanning	Rhino horn cube			
25S-8	Nanning	African rhino horn	13 /g	200/g	\$30
170-10	Hanoi	Rhino horn tip	More than 20 /g		
		Rhino horn	3.8 kg		
170-9	Hanoi	17 Rhino horn carved pieces			
		10 Rhino horn tablets			
		Rhino horn bracelets			
		2 beaded rhino horn necklaces			
		Whole rhino horn	2.133 kg		
		8 whole rhino horns			
170-11	Lang Son	Whole rhino horn	2.09 kg	90 million VND/100g	4,000 / 100g
		Rhino horn	343 /g		
04D-17	Xianyou, Putian	6 rhino horn cups	←5-6 cm		
		1 big cup pinkish color	670 g, 15X8	280,000 / piece	\$42.000
		Guanyin statue	1100 g, 21X22	500,000 / piece	\$74.000
		Rhino cup with dragons	270 g	100,000 / piece	\$15.000
		3 Guanyin pendants	56.5 g;	450/g	\$65
			19.4 g;		
			80 g (55x72mm)		
		Rhino horn		2,400 / piece	\$350
		Rhino horn	45cm		
		Guanyin sculpture			
		Rhino horn	8 kg	180,000 /kg	\$26.500
		Pendant 52X70	33.6 g		
		Whole rhino horn	2639 g		
		Guanyin sculpture			
		Rhino horn Guanyin pendant whole black	45.43 g		
Guanyin pendant (66x80mm)	43.42 g				
06D18	Beijing	Whole rhino horn	2.108 kg		
		Whole rhino horn	924.5 g		
		Rhino horn trim			
		Buddah statues			
		Tea cup			
		Tea pots set (African and Asian rhino)			

Seller	Where	Rhino Horn Item	Size	Price - RMB	Price - USD*
04M-20	Zhangjiang	Rhino horn		100/g	\$15
		Guanyin pendant			
		Chinese lion black rhino horn sculpture		80,000 / piece	\$12.000
		Pendant with black inner part	59 /g	677/g : 40,000	\$5.900
		Pendant with black inner part	20 /g	900/g : 18,000	\$2.700
		Black pendant			
		Black rhino horn cup	31.7 /g	1577/g : 50,000	\$7.400
		Rhino horn bowl		1,000,000 / piece	\$147.000
		2 small rhino horn cups	28.8 /g		
05M-34	Zhangjiang	Carved Asian rhino horn piece	18 /g	30,000 / piece	\$4.400
06M-22	Zhangjiang	Piece of rhino horn in the shape of an animal			
		Piece of rhino horn in the shape of Buddah			
07M-23	Guangzhou	Rhino horn			
		Guanyin pendant			
		Rhino horn slice 66x93 mm	63,1		
		Black rhino horn pendant			
07M-24	Guangzhou	Rhino horn carving Pixiu	22 /g	19,000 / piece	\$2.800
		Rhino horn pendant	31 /g	15,000 / piece	\$2.100
		Rhino horn carving	20 /g	16,000 / piece	\$2.300
27MY-26	Kunming	Customizable beaded bracelet (rhino, ivory, helmet hornbill, etc.)			
30MY-27	Kunming	Rhino horn scraps from art crafts	10-20 /g	350/g	\$50
27MY-29	Dalou	Whole rhino horn	1131 /g	700/g	\$103
		Whole rhino horn	1971 /g		
		10 Rhino horn slices	22.1 - 29.5 /g		
		Rhino horn section			
		Rhino horn tip			
		2 Whole rhino horns			
		Rhino horn bangle			
28MY-32	Jinghong	Rhino horn tip	154 /g	530/g	\$78
		9 pieces of Rhino horn in slices from the core of the horn	30-70 /g	480/g	\$70
		Rhino horn raw off-cuts	More than 300 g	180/g	\$26
		4 rhino horn bracelets		950/g	\$140

*Oanda Currency Converter:
Site used for all currency conversion within this report.
Note that the price conversions are rounded or approximated
and the true conversion rates fluctuate daily.

Appendix C - Companies Referenced by Persons of Interest

The following companies were identified by name by POIs during **Operation Red Cloud** investigations.

An Bao Da Vietnam International Logistics Company

An Bao Da Vietnam International operates out of Hanoi and Ho Chi Minh City in Vietnam, but with a location at 13 Chongbu Rd., 2nd Floor of the Customs Declaration Building., Luofu Customs Duty-Free Zone, Dongxing, Guangxi, China. Possible related companies include: An Yuan Da Customs Declaration Company, An Bao Da Vietnam Express Delivery, and An Bao Da Vietnam Logistics Link.

S.F. Express Co. Ltd

The company's registered address is 1111 4th Airport Rd., Shenzhen Bao'an International Airport, Shenzhen, Guangdong, China. S.F. Express operates 15,000 transport vehicles and 13,000 courier service locations within the Chinese mainland. The company also owns a subsidiary fleet of 36 cargo aircraft and facilitates delivery of products from China and Hong Kong to over 200 countries.

ZTO Express

ZTO Express is a Shanghai-based delivery service registered in 2013 to an address at 1685 Huazhi Rd., Building 1, Huaxin, Qingpu District, Shanghai, along with offices in Hong Kong, United States, Australia, and Singapore. It is unconfirmed whether or not ZTO offers delivery service to or from Vietnam.

China Beijing Tong Ren Tang (Group) Co. Ltd.

Tong Ren Tang is a Chinese pharmaceutical company registered in 1993 (but established over 300 years ago) and headquartered in Beijing, China, at 52 East Xinglong Rd. in Dongcheng District. The company operates numerous divisions, subsidiaries, and outlets throughout Beijing and across mainland China, as well as 200 overseas shops in 25 countries. China Beijing Tong Ren Tang (Group) Co. Ltd. is the managing entity of the Tong Ren Tang network.

It has been alleged by confidential sources that Tong Ren Tang still uses rhino horn as a key ingredient in their pharmaceutical products. However, Tong Ren Tang asserts that it began phasing out this practice in 1974 after the company conducted a study which showed "water buffalo horn was...almost as effective as rhino horn." In 2015, Tong Ren Tang followed up on 2010 and 2013 commitments to cease using endangered species in medicinal products.

The information contained in Appendix C was provided by C4ADS (<http://c4ads.org/about-us/>). C4ADS is a nonprofit organization dedicated to providing data-driven analysis and evidence-based reporting on global conflict and transnational security issues.

OPERATION RED CLOUD

Grinding Rhino:

An Undercover Investigation
on Rhino Horn Trafficking
in China and Vietnam

ACKNOWLEDGMENTS

The Elephant Action League
(EAL) wishes to thank our great
investigators and collaborators on
the ground, whose identity must
remain confidential for security
reasons.

CITATION

Crosta, A., Sutherland, K.,
Talerico C. (2017).
"Grinding Rhino"
Los Angeles, CA:
Elephant Action League (EAL).
July 2017

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