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Monetary Policy

Hearing on “From Timber to Tungsten: How the Exploitation of Natural  
Resources Funds Rogue Organizations and Regimes”  
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Chairman Himes, Ranking Member Barr, and distinguished members of the House Financial Services Subcommittee on National Security, International Development, and Monetary Policy, thank you for inviting me to speak at this critically important hearing on illicit natural resource governance, and for your interest in combating financial crimes that fuel corruption around the world. I am honored to speak here today on this issue of illicit natural resource governance in Africa. As Americans, much of the news we see on Africa is related to poverty and war. Yet many of these sensational headlines fail to state that the conflict and criminality found across various African countries are partly fueled by the illicit natural resource trade.

I come before you as someone who has spent time not just researching the issues at hand, but also spending time visiting and working with communities who have been negatively impacted by illicit natural resource governance in Africa. My expertise lies in illicit timber trafficking and illegal logging in Africa, but my testimony today will discuss and offer analysis covering a variety of natural resources that are illicitly traded in Africa, as environmental crime rarely stays in siloes once incubated and allowed to fester unchecked. My involvement in policy research and advocacy against illicit natural resource governance started when I received a U.S. Department of State Benjamin A. Gilman scholarship in 2012 to study in Cameroon, where I researched forest communities, including indigenous people in the Congo Basin rainforest. I learned how political corruption and ethnic conflict led to higher rates of illicit natural resource exploitation.

I will give a brief overview of the financial impact of illicit trafficking of natural resources in Africa, discuss how armed conflict and corruption fuel illicit natural resource governance on the continent, and recommend policy opportunities that the United States can seize to effectively combat illicit trade in Africa.

My testimony is fueled by my experience working at the intersections of environmental crime, Africa policy, and strategic advocacy strategies. Currently, I am an Illicit Trafficking

Working Group Member at the Women of Color Advancing Peace and Security, a non-governmental organization founded by Ambassador Bonnie Jenkins, the current Undersecretary for International Security and Arms Control of the United States. Additionally, I currently serve as a Board Member of the Africa Policy Accelerator, a professional network of the next generation of U.S.-Africa policymakers in D.C., housed at the Center for Strategic and International Studies. I also managed partnership engagement for an international campaign against illegal logging where I collaborated with policymakers, journalists, civilians, and musicians across West, Central, and Southern Africa to combat environmental crime.

### *Financial Impact of Environmental Crime in Africa*

Africa is often considered the continent with the highest concentration of natural resources<sup>1</sup>, but also the continent with some of the highest rates of illicit trade. The United Nations estimates that nearly \$89 billion USD of illicit capital leaves Africa every year<sup>2</sup>, and overall, an economic impact of \$120 billion USD from illicit natural resources being traded out of Africa according to the African Development Bank<sup>3</sup>.

### *Corruption and Bribery Enable Illicit Trafficking*

Corruption and bribery are key drivers of what sustains illicit trafficking of natural resources in Africa and bolsters its existence. It blurs the lines of what is illicit and what is illegal - with a weakened rule of law enabling the illegal to become legitimized or “legal” with corrupted paperwork, often secured through bribes and political favors. Illegal trade exploits governance weaknesses in countries across the supply chain. Natural resources often reside in impoverished local communities, oftentimes rural, where individuals are recruited, oftentimes exploited, by mostly foreign-backed traders or companies to illegally extract resources with promises of steady income or development. In some countries, it is illegal to harvest or to transport restricted and/or high value resources without documentation, yet traffickers operate around this requirement by bribing workers at checkpoints until the illicit goods reach transit ports<sup>4</sup>. There, corruption and/or the lack of capacity and knowledge to enforce existing laws around due diligence of inspecting exports for contraband enables illicit goods to be exported, sometimes with paperwork purchased through bribery that provides false information in order to give the impression that the resources were obtained legally.<sup>5</sup> Additionally, traffickers have been known to mix illicit items with normal manufacturing items, but only declare the manufactured items in export and tax declaration. Bribing a port official to avoid customs

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<sup>1</sup> Sawe, B. E. (2018, August 20). *Which continent is the richest in natural resources?* WorldAtlas. Retrieved November 1, 2021, from <https://www.worldatlas.com/articles/which-continent-is-the-richest-in-natural-resources.html>.

<sup>2</sup> *Africa could gain \$89 billion annually by curbing illicit financial flows.* UNCTAD. (2020, September 28). Retrieved October 28, 2021, from <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows>.

<sup>3</sup> *Illicit trade in natural resources in ... (n.d.).* Retrieved November 1, 2021, from [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Events/IFF/Documents\\_IFF/ANRC\\_ILLCIT\\_TRADE\\_IN\\_NATURAL\\_RESOURCES.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Events/IFF/Documents_IFF/ANRC_ILLCIT_TRADE_IN_NATURAL_RESOURCES.pdf).

<sup>4</sup> Hunt, L. (2021, February 15). *Rosewood trafficking worsens in the Gambia.* China Dialogue. Retrieved November 1, 2021, from <https://chinadialogue.net/en/nature/rosewood-trafficking-worsens-in-the-gambia/>.

<sup>5</sup> Sequeira, S. (n.d.). *Investigating and tackling corruption in African ports.* London School of Economics and Political Science. Retrieved October 30, 2021, from <https://www.lse.ac.uk/Research/research-impact-case-studies/investigating-tackling-corruption-african-ports>.

process inspections, which reduces taxes and fees, is a common practice in order to skip official due diligence checks.<sup>6</sup>

The following illegalities are a few examples of illegalities that can be found when procuring and/or exporting resources illegally: providing false information, not complying with the amount of land a vendor has been licensed to extract from, extracting a different species or the size of product than approved for, or regulations around how a product is meant to be processed. For example, some laws limit processing types such as banning unprocessed timber from leaving a country for example but allow exports of processed timber. Political connections and bribery can make for products that break a number of these regulations and are therefore illegally harvested to be exported into international markets marked as “legal.” How does illicit trade continue to happen every year and go mostly unchecked?

### *Lack of Corporate and Financial Transparency*

Illicit trade of natural resources takes advantage of a lack of corporate transparency and resource traceability in Africa. First, the lack of corporate monitoring and the ease of creating shell companies makes it possible for traffickers to export illicit resources. Secondly, the financial crimes committed resulting in lost tax revenue throughout the illicit trade of natural resources in Africa deserves attention. The tax evasion occurring from not declaring goods or significantly under-declaring the amount of natural resources at the point of export is estimated to be in the millions for African countries. For example, gold in Africa accounted for 77 percent of underreported exports in 2015 from the continent, worth an estimated 40 billion USD, according to a United Nations Report.<sup>7</sup> Examining the declarations of what countries report as exports to trade partners’ import data, and comparing the data, is a common method for economists to detect discrepancies and potential trafficking.<sup>8</sup>

Third, the bribery and corruption that continues to fuel the illicit trade is often cash-based or through gifts, making it difficult to trace. Africa stands out from the other continents in that an overwhelming 95 percent of all transactions are made in cash.<sup>9</sup> Hence, a major barrier in tracking the money made from environmental crime and illicit trade is the lack of formal banking on the continent. Some researchers have documented that those individuals engaged in trafficking often lie outside formal banking systems, and much of the capital flowing from illicit trade in Africa is transferred from urban financial centers to rural areas where the extraction of resources takes place.<sup>10</sup>

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<sup>6</sup> Igbanugo, H., & Gwenigale, R. (n.d.). *Assessing and minimizing customs related corruption in SSA ...* Retrieved November 3, 2021, from <http://igbanugolaw.com/wp-content/uploads/2015/02/Assessing-and-Minimizing-Customs-Related-Corruption-in-SSA-Ports-July-2011.pdf>.

<sup>7</sup> Lewis, D. (2019, April 24). *Gold worth billions is smuggled out of Africa - new analysis*. Reuters. Retrieved November 3, 2021, from <https://www.reuters.com/investigates/special-report/gold-africa-smuggling/>.

<sup>8</sup> II

<sup>9</sup> Assoko, J. T.-L. (2020, June 8). The Africa Report. MasterCard: "in Africa, our biggest competitor is cash". The Africa Report.com. Retrieved November 3, 2021, from <https://www.theafricareport.com/29360/mastercard-in-africa-our-biggest-competitor-is-cash/>.

<sup>10</sup> FATF. (n.d.). *FATF report money laundering from environmental crime*. Retrieved October 28, 2021, from <https://www.fatf-gafi.org/media/fatf/documents/reports/Money-Laundering-from-Environmental-Crime.pdf>.

## *Financiers of Illicit Natural Resource Governance in Africa*

Despite the illegality, there are various financiers and beneficiaries of illicit natural resource trade, including corrupt regimes and terrorist and/or armed conflict groups. These actors often benefit from a lack of good governance that can create more illicit trade of natural resources, even directly contributing to poor governance of an environment in order to maintain conditions advantageous for illicit trade.

Such an example of this can be seen in The Gambia, a small country in West Africa. Yahya Jammeh, former President of The Gambia and notorious dictator, whose \$3.5 million USD in assets were seized last year by the United States Department of Justice, was reportedly involved in running an illicit timber trafficking cartel in the country.<sup>11</sup> Using his political position, he allegedly set up the Westwood Company with Swiss investors, where Jammeh enabled the company to hold the only export license for expensive, banned rosewood timber in the country.<sup>12</sup> During Jammeh's rule from 2014-2017, an estimated \$163 million dollars worth of timber was illegally exported from The Gambia into China, with most of that considered to be conflict timber from neighboring Senegal.<sup>13</sup> This timber is known to come from the Casamance region, an area in Senegal that has been in conflict for over 30 years. In fact, the majority of rosewood exported from The Gambia—the most trafficked wildlife product in the world and highly in demand in China<sup>14</sup>—is found in territories controlled by noted terrorist group Movement of Democratic Forces of Casamance who have reportedly killed thousands of people<sup>15</sup>. They are alleged to have made significant money, estimated earnings of \$19.5 million, from the illicit timber trade between 2010 and 2014<sup>16</sup> by selling traffickers access to rosewood timber areas, providing forged transport permits, and providing security personnel for loggers during their time illicitly extracting the timber. It was estimated that the Swiss timber traffickers paid \$15 million to the Jammeh regime to export timber out of the country.<sup>17</sup> This is a critical example of terrorists not exporting illicit products themselves, but enriching themselves through facilitating access and enabling other corrupt actors to use the presence of terrorist organizations and regional instability to profit from natural resources.

Unfortunately, The Gambia and Senegal are not the only countries where we see armed terrorist groups financing their activities from illicit trafficking of natural resources. The emerging crisis in the Cabo Delgado region of Mozambique is home to al-Shabab, a terrorist organization tied to the Islamic State by internationally recognized organizations such as

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<sup>11</sup> "Department of Justice Seeks Recovery of Approximately \$3.5 Million in Corruption Proceeds Linked to Ex-President of the Gambia." The United States Department of Justice. (July 15, 2020). <https://www.justice.gov/opa/pr/departement-justice-seeks-recovery-approximately-35-million-corruption-proceeds-linked-ex>.

<sup>12</sup> Trial International. (2020, March 23). *Westwood: Dealing in conflict timber across the Gambia and Senegal*. TRIAL International. Retrieved October 31, 2021, from <https://trialinternational.org/latest-post/westwood-dealing-in-conflict-timber-across-the-gambia-and-senegal/>.

<sup>13</sup> II

<sup>14</sup> AFP. (2021, February 11). *Rebels in Senegal's Casamance under pressure after offensive*. France 24. Retrieved October 31, 2021, from <https://www.france24.com/en/live-news/20210211-rebels-in-senegal-s-casamance-under-pressure-after-offensive>.

<sup>15</sup> France 24. "Rebels in Senegal's Casamance under Pressure after Offensive." France 24. France 24, February 11, 2021. <https://www.france24.com/en/live-news/20210211-rebels-in-senegal-s-casamance-under-pressure-after-offensive>.

<sup>16</sup> Sharife, K., & Anderson, M. (2019, March 27). The inner circle that helped Jammeh steal a billion dollars. OCCRP. Retrieved October 30, 2021, from <https://www.occrp.org/en/greatgambiaheist/the-inner-circle-that-helped-jammeh-steal-a-billion-dollars>.

<sup>17</sup> II

The Crisis Group.<sup>18</sup> This group is partially financed by the illicit trade of timber and rubies. Although research is conflicted and limited on how much groups are profiting off the illicit trade, reports that the terrorist group has increased attacks on critical areas such as “ports, transport hubs, and sites of natural resources” indicates that the terrorist group may be trying to gain further control of the trade for their own gain<sup>19</sup>.

In the Horn of Africa, it is well-known that the terrorist group al-Shabaab (different from above referenced group in Mozambique), utilized the illegal charcoal trade in Somalia to make an estimated \$25 million USD to finance their activities.<sup>20</sup> These proceeds were used to purchase weapons and finance attacks on civilians. A UN Security Council Resolution barred charcoal exports from Somalia, however, there are reports that al-Shabaab is still using illicit natural resources to fund their activities through some charcoal, livestock, and sugar commodities.<sup>21</sup>

We also see the presence of armed conflict allowing illicit trade to emerge and go mostly undiscussed, as reported on the border of Cameroon and Nigeria. This is the site of the Anglophone Crisis, which the U.S. considers a humanitarian crisis as hundreds of Cameroonians have been killed in conflict since 2019. Due to the presence of armed conflict, local reports have claimed that the conflict makes it easier to conceal illicit timber as there is weakened enforcement of proper certifications;<sup>22</sup> 21 Nigerian nationals were arrested in January 2021 for smuggling Cameroon conflict timber into Nigeria for export.<sup>23</sup>

I would also argue that the presence of illicit natural trade is an indicator for rising corruption in countries that are considered strong helms for democracy in Africa. Ghana, often considered the democratic stronghold and model for democracy, has experienced an uptick in illicit trafficking of timber and gold in recent years. For example, despite several national bans on the exportation of rosewood timber in Ghana, scientists have determined that there has been no significant impact on the reduction of harvesting of the timber, and in fact increased by over 129 percent while the ban was active and while the timber was protected by the Convention on International Trade in Endangered Species (CITES), the international authorities designated to protect designated species from illicit international trade.<sup>24</sup> The Ghanaian government has acknowledged that corruption is a major barrier in confronting the trade, yet the trade is believed to still continue.<sup>25</sup> The manner in which

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<sup>18</sup>International Crisis Group. (2021, August 9). *Stemming the insurrection in Mozambique's Cabo Delgado*. Crisis Group. Retrieved November 1, 2021, from <https://www.crisisgroup.org/africa/southern-africa/mozambique/303-stemming-insurrection-mozambiques-cabo-delgado>.

<sup>19</sup> France 24. “Rebels in Senegal's Casamance under Pressure after Offensive.” France 24. France 24, February 11, 2021. <https://www.france24.com/en/live-news/20210211-rebels-in-senegal-s-casamance-under-pressure-after-offensive>.

<sup>20</sup> White, E. (2019, April 29). *The unintended consequences of Charcoal*. The Strategist. Retrieved November 3, 2021, from <https://www.aspistrategist.org.au/the-unintended-consequences-of-charcoal/>.

<sup>21</sup> Petrich, K. (2021, October 13). *How crime is closely linked to Al-Shabaab's survival strategy*. The Conversation. Retrieved November 1, 2021, from <https://theconversation.com/how-crime-is-closely-linked-to-al-shabaabs-survival-strategy-134432>.

<sup>22</sup> Ojewale, O. (2021, July 5). *Timber trafficking in Cameroon goes against the grain of economic growth*. ENACT Africa. Retrieved October 31, 2021, from <https://enactafrica.org/enact-observer/timber-trafficking-in-cameroon-goes-against-the-grain-of-economic-growth>.

<sup>23</sup> II

<sup>24</sup> Dumenu, W. K. (2019). Assessing the impact of felling/export ban and CITES designation on exploitation of African rosewood (*Pterocarpus erinaceus*). *Biological Conservation*, 236, 124–133. <https://doi.org/10.1016/j.biocon.2019.05.044>

<sup>25</sup> “Ghana Business News.” Retrieved October 31, 2021. <https://www.ghanabusinessnews.com/wp-content/uploads/2020/02/Rosewood-Committee-Report.pdf>.

illicit trade of natural resources manifests offers insights into how illicit trafficking is handled by authorities in any given country. For the case of Ghana, a study by the U.S. Department of State on human trafficking found that Ghana “did not adequately address corruption in trafficking crimes, including alleged complicity from officials who facilitated trafficking.”<sup>26</sup> It is also important to note that illicit trafficking endangers the economic lucrativeness of legal natural resource trade, as the illegal deforestation connected to the illicit timber trade has been connected to reduced yields for shea butter, one of Ghana’s top exports into the international market.<sup>27</sup>

The Democratic Republic of Congo in Central Africa is host to a high amount of intersections of illicit natural resource trade where illegal gold, timber logging, rare earth minerals, and labor violations fuel longstanding conflict in areas of the country. There is high financial criminality in the forest sector with widespread tax evasion from illegal logging reported due to corruption. For example, it is estimated that 90 percent of forest taxes in DRC were not paid due to illegal schemes between concession owners and political officials.<sup>28</sup> The minerals largely used for electronic devices such as coltan, tungsten, tin, in addition to precious metals such as gold, are widely considered to be conflict minerals coming from regions of DRC.<sup>29</sup>

It is important to note that illicit natural resource governance and the common factors that maintain the trade breed an environment where various crimes can thrive as well. For example, drug trafficking is present in many African countries where illicit natural resource trade is as well. Some of the biggest cocaine busts in 2021 have been in Africa, with large amounts of cocaine seized at maritime ports in Nigeria, The Gambia, Benin, South Africa, and Senegal.<sup>30</sup> Drug traffickers take advantage of governance weaknesses, corruption, and lack of enforcement at ports, to illicitly export products. These are intersectional connections that policymakers must discuss more and should be on the radar of the U.S. government with its official stance of preventing illicit drugs from entering the country.

### *Illicit Natural Resource Trade Hurts African Communities*

It is important to note that illicit crime robs individuals and communities of their ability to earn a fair living, and African countries from the much-needed revenue that could be earned through the taxation of legal trade. There are some logging and mining businesses who want to extract resources legally but report that they are priced out of competition by traffickers who pay bribes to political officials to gain control of concessions.

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<sup>26</sup> U.S. Department of State. (2021, September 14). *2021 trafficking in persons report - united states department of state*. U.S. Department of State. Retrieved October 31, 2021, from <https://www.state.gov/reports/2021-trafficking-in-persons-report/>.

<sup>27</sup> “Sustaining Livelihood in a Changing World with Shea Butter.” MyJoyOnline.com, August 2, 2021.

<https://www.myjoyonline.com/sustaining-livelihood-in-a-changing-world-with-shea-butter/?param=>.

<sup>28</sup> “90% Of DR Congo’s Logging Revenues Lost to Tax Avoidance in 2012.” Global Witness. Retrieved November 1, 2021.

<https://www.globalwitness.org/en/archive/90-dr-congos-logging-revenues-lost-tax-avoidance-2012/>.

<sup>29</sup> The Enough Project. (n.d.). *Progress and challenges on conflict minerals: Facts on Dodd-Frank 1502*. The Enough Project. Retrieved November 3, 2021, from <https://enoughproject.org/special-topics/progress-and-challenges-conflict-minerals-facts-dodd-frank-1502>.

<sup>30</sup> Ba, D. (2021, October 20). Senegal seizes record 2 tonnes of cocaine off Atlantic coast. Reuters. Retrieved November 3, 2021, from <https://www.reuters.com/world/africa/senegal-seizes-record-2-tonnes-cocaine-off-atlantic-coast-2021-10-19/>.

Illicit natural resource exploitation erodes existing community dynamics and trust in rural communities impacted by the trade. As some community members may become involved in trafficking, tension is created between other members who are against the trade. People do not want to provide information on the illicit trade that could potentially implicate their family members or close friends in the trade which complicates enforcement and prosecution of environmental crimes. There have been reports of traditional leaders such as chiefs making deals with foreign traffickers that they can operate on their land.<sup>31</sup> However, these deals rarely trickle down to the average community member and can create jealousy and resentment against leaders who financially benefit from illicit trade.

During my travel to West Africa, I met with a variety of traditional leaders who wanted to do something to curb the trade but were afraid that armed traffickers would attack their community as a result. Additionally, I encountered people who did not want to speak up about the illicit trade or provide any intelligence about it out of fear of retaliation by trafficking rings. Illicit trade is a term we throw out there, but we need to remind ourselves that this type of trade is **illegal**. It is a transnational crime. It is a dangerous activity. Some traffickers have been reported to have violent weapons, and the presence of this crime keeps communities in cycles of poverty, instability, and insecurity.

This trade robs African communities of opportunities to earn decent incomes from legalized trade of their natural resources. For example, I visited a community in the Democratic Republic of Congo where they had formerly engaged in illegal timber trafficking before there was a ban enforced against the trade. The chief told me traffickers would pay \$1 United States Dollar for a rosewood tree and would not pay community members for the labor and time it took to cut that tree. I asked the chief if he had any idea about how much the tree was worth on the international market and he said no. I did not have the heart to tell him that this tree which they sold for such a low price that led them to deforest their village over time, was most likely sold in markets in China for over a \$1,000 USD per cubic meter, enriching foreign traders while leaving their small Congolese community desolate.<sup>32</sup>

In fact, most of the people I have worked with throughout Africa are not environmentalists or conservationists, but people who became interested in fighting environmental crime after following the money. They became frustrated that the money from a lucrative natural resources trade was not trickling down to their communities. Some have firsthand experienced or seen the negative effects of illicit natural resource governance in their communities. I have spoken with young people from The Gambia and Zambia who told me they got involved after witnessing illegal deforestation contribute to soil degradation, making it difficult for their extended family members living in rural villages to grow food and pursue traditional livelihoods. They told me stories of the lack of opportunity and presence of crime driving some of their friends and cousins to seek out dangerous and often deadly migration journeys for a better life. One young Gambian person even filmed

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<sup>31</sup> "The Wind of Change Blowing through Ghana's Villages (Commentary)." Mongabay Environmental News, March 23, 2018. <https://news.mongabay.com/2018/03/the-wind-of-change-blowing-through-ghanas-villages-commentary/>.

<sup>32</sup>Cerutti, P. (2018). "Informality, global capital, rural development and the environment: Mukula (rosewood) trade between China and Zambia." Retrieved October 31, 2021. <https://pubs.iied.org/sites/default/files/pdfs/migrate/13603IIED.pdf>.

himself going to the Port of Banjul and opening up a container of illicit rosewood timber to document how the government and shipping corporations allow the export of the banned timber. If these young people can risk their safety to speak out against powerful, corrupt, and sometimes violent entities in order to intervene in stopping the illicit trade, countries such as the U.S. with the power and resources can surely step up to do even more to end illicit natural resource trade in Africa.

### Policy Recommendations

After working with leaders to combat illicit timber trafficking across different sectors in Africa, I realized that exposing the problem and speaking about the issue was not enough and in fact—I needed to be a part of the solution. I became increasingly interested in the field of climate and biodiversity finance as a tool to incentivize countries who are ridden with environmental crime to shift the narrative and change for the better, which I am currently focused on with my position at the Wallace Global Fund in Washington, D.C. Gabon, a country in Central Africa once known for high levels of environmental crime, is now seen as an environmental leader, partially due to the funding they have received from rich countries to protect their forests.<sup>33</sup> When countries see that protecting natural resources and governing them in a way that promotes sustainable, legal trade can be lucrative and bring a positive spotlight to their country, the cycles of environmental crime can be disrupted.

As a leading global power, and specifically a leading development finance provider and trade partner to many African countries, the U.S. can utilize their extraordinary position to influence the reduction of illicit natural resource governance and trade. Environmental crime and illicit trafficking of natural resources in Africa benefits from being in the shadows—the fact that it is so widely practiced yet rarely discussed at a high-level is a critical barrier. I hope today can play an important role in changing that pattern. The U.S. taking a strong stance against illicit trade of natural resources in Africa is an important step forward and letting countries know that the U.S. does not stand for global environmental crime.

Earlier this year, I was a guest speaker at an event for the U.S. Embassy of Banjul in The Gambia to present on illegal deforestation and its negative impacts on the country. In a country where internet costs \$5 per gigabyte while the majority of the population earns less than \$1 per day<sup>34</sup>, it speaks volumes that the event had over 80+ people attend and/or interact with the event video. Many commented on how much they appreciated that the U.S. took this matter seriously. It is the everyday African people who lose out to illicit trade the most, and as the U.S. pursues strategic objectives on the continent, combating environmental crime and illicit trade of natural resources should be a key one, given its enormous impact on the economic development and security of the continent.

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<sup>33</sup> The Economist. (2021, November 2). *As leaders pledge to protect forests, Gabon points to how*. The Economist. Retrieved November 1, 2021, from <https://www.economist.com/middle-east-and-africa/as-leaders-pledge-to-protect-forests-gabon-points-to-how/21806081>.

<sup>34</sup> Sonko, J. (2021, April 16). *'A day without internet is a day in the dark': The Gambia's growing digital divide*. Global Voices. Retrieved October 30, 2021, from <https://globalvoices.org/2021/03/31/a-day-without-internet-is-a-day-in-the-dark-the-gambias-growing-digital-divide/>.

### *Potential Financial Costs of Illicit Natural Resource Governance by the United States*

The United States is a generous, top provider of foreign aid to African countries. It is important to note that if illicit natural resource governance in Africa is not significantly reduced, top donors such as the U.S. may experience increased foreign aid demands due to continue siphoning of potential revenue lost from illicit trade. The World Bank estimates that countries lose \$6-9 billion dollars alone each year from skipped tax revenue from illegal logging.<sup>35</sup> Billions of dollars lost to tax evasion directly results in loss to much-needed public utilities such as infrastructure for schools and hospitals necessary to advance development goals in Africa. Additionally, the armed conflict, instability, and insecurity that regions face where illicit trade natural resources thrive contributes to greater development needs such as poverty and hunger.

The U.S. may also experience increased spending on anti-terrorism efforts if illicit natural resource governance is not halted. As demonstrated throughout different African countries such as Senegal, Somalia, and Mozambique, terrorist groups use the illicit natural resource trade to finance their activities. It may not seem like a large amount on the scope of wider global terrorism illicit financial flows, but millions of dollars for smaller, rural-based armed conflict groups in Africa is enough to cause incredible damage and harm to the communities and regions that they operate in.

There is also a global security risk to allow illicit natural resource governance to continue in Africa. It presents a national security risk to not stop illicit extraction of natural resources in Africa; scientists have made a direct link between the biodiversity loss caused by illegal deforestation of lands for logging and mining and increased disease spread; the WHO considers that to be an emerging disease driver.<sup>36</sup> Reducing disease threats should include plans to end illicit natural resource trade that harms biodiversity and local environments.

Additionally, the World Bank estimates that there will be up to 86 million climate refugees by 2050 in Africa, the largest expected increase of migrants for any continent.<sup>37</sup> In many cases, illicit natural resource governance does not follow environmental standards to extract in a manner that does not harm the environment or is sustainable—the goal is to take as much as possible as quickly as possible without regard for the rule of law. This exacerbates vulnerabilities in existing environments and can lead to desertification and other climate change risks. Although this migration is predicted to be internal within Africa, it is likely that African countries who are more climate-resilient will receive influxes of

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<sup>35</sup>FATF. (n.d.). *FATF report money laundering from environmental crime*. FATF. Retrieved November 1, 2021, from <https://www.fatf-gafi.org/media/fatf/documents/reports/Money-Laundering-from-Environmental-Crime.pdf>.

<sup>36</sup> World Health Organization. (n.d.). *Biodiversity & Infectious Diseases. questions & answers*. Retrieved November 2, 2021, from [https://www.who.int/docs/default-source/climate-change/qa-infectiousdiseases-who.pdf?sfvrsn=3a624917\\_3](https://www.who.int/docs/default-source/climate-change/qa-infectiousdiseases-who.pdf?sfvrsn=3a624917_3).

<sup>37</sup> World Bank Group. (2021, October 27). *Climate change could further impact Africa's recovery, pushing 86 million Africans to migrate within their own countries by 2050*. World Bank. Retrieved October 30, 2021, from <https://www.worldbank.org/en/news/press-release/2021/10/27/climate-change-could-further-impact-africa-s-recovery-pushing-86-million-africans-to-migrate-within-their-own-countries>.

climate migrants and will request development financiers such as USAID to ask for financial support to cover the costs associated with incoming migrants.

Many traffickers and corrupt individuals benefiting from environmental crimes think that the global community does not see environmental crime as a “serious” crime. The U.S. has the power and influence to send a clear message that that is not the case. One such way is incorporating the tracking of illicit flows from environmental crime in existing legislation on corruption such as the Global Magnitsky Act. In Africa more than other continents, fact bodies have found that the families of politically exposed persons who are involved in illegal logging are more involved in the process. Ensuring that those high-level individuals involved are barred from using capital gained from illicit natural resource trade in the U.S. would set an exemplary bar. Additionally, the U.S. must expand kleptocracy and money laundering detection mechanisms beyond banking systems considering much of the currency exchanged for illicit natural resource governance in Africa is outside the formal banking system and/or through the exchange of gifts. Efforts to monitor gifts, real estate, and luxury goods that can be provided to corrupted public officials by trafficking rings in exchange for engaging in illicit natural resource extraction must be revamped.

Another area of enforcement is the Africa Growth and Opportunity Act (AGOA), a legislation to provide African countries tax breaks with trading with the U.S. A key part of the AGOA legislation is that African countries must be making anti-corruption progress and shifting from an aid economy to a trade-based economy to maintain AGOA benefits. The progress and actions that African countries are pursuing to reduce illicit trade in natural resources must be part of the AGOA renewal conversations for high-risk illicit trade countries, as tackling environmental crime and generating much-needed tax revenue will significantly help accomplish goals of becoming economically independent nations. We have seen AGOA benefits suspended for countries who have reportedly engaged in human rights violations; the plans and reported progress that African countries are making in stopping the illicit trade of natural resources should be a part of annual reporting under AGOA. Expanding funding and programs for the International Affairs department at the U.S. Fish and Wildlife Service for example, could be one way of providing technical assistance for customs and other enforcement agencies in African countries who want to receive help in wiping out illicit trade. For example, there is a new democratically elected president in Zambia, who under his administration has seized illegally logged timber that is said to be connected to “politically exposed individuals.”<sup>38</sup> Offering technical assistance to Zambia, a country who has struggled in recent political regimes to curb corruption around illicit natural resource trade, would be an excellent intervention.

### *Strengthening collaboration with intergovernmental partners*

A key intervention for the U.S. is strengthening leadership and collaboration with international bodies with the capacity to meaningfully intervene in ending illicit trade. One such body is the United Nations Security Council, who played a role in working with

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<sup>38</sup> “ACC Intercepts and Seizes 47 Mukula-Laden Trucks.” *Zambia Reports*, 3 Nov. 2021, <https://zambiareports.com/2021/11/03/acc-intercepts-seizes-47-mukula-laden-trucks/>.

Somalia to curb illicit charcoal trade funding terrorist groups. Recently, in October 2021, the UN Security Council held a high-level meeting and released a presidential statement with the intent of the Council to work together to stop the funding of armed conflict groups in the Great Lakes Region of Africa, most notably the Democratic Republic of Congo, from profiting from illicit exploitation of natural resources.<sup>39</sup> This is a step in the right direction, and the U.S. can use their position at the Council to push resolutions, legislation, and intergovernmental enforcement on illicit goods moving forward. Additionally, the World Bank in its negotiation deals with African countries should also require tangible progress and enforcement mechanisms on ending illicit trade, considering tax revenue that could be gained from legal trade of products could generate significant income for countries in debt. Furthermore, the implementation of CITES which regulates trade on protected timber and wildlife species has been shown to be abused and non-respected in countries across Africa.<sup>40</sup> Even though CITES is a binding international law, corruption in countries can enable traffickers to secure the documents needed to trade and export protected species through bribery or forgery. The U.S. can use their voice to support the implementation of strengthening CITES, such as rolling out an electronic permit system versus the current paper-based system, and ensuring that countries are strictly obliging by these rules, which could play a significant role in curbing illicit trade of protected species. The U.S. recently introduced the Funding Our Roads and Ecosystems Sustainably Together Act, or FOREST Act, and the U.S. should encourage other countries, specifically common importing source countries such as China, to strengthen gaps and weaknesses in their enforcement measures to protect global supply chains against illicit trade.

We must also remind ourselves that where America does not take a strong stance, countries that have differing views of governance can fill in. As one example, Russia is alleged to have recently procured more natural resources in Africa through offering mercenary services to Central African Republic, a country in Central Africa plagued by years of armed conflict and potentially Mali, a country in West Africa plagued by Islamic terrorism.<sup>41</sup> Climate change is already set to worsen conflict and resource degradation, acting as a threat multiplier according to the U.S. Department of Defense.<sup>42</sup> Terrorist groups such as al-Shabaab in Somalia, who contribute to climate change by cutting down trees for illicit trade of charcoal, are reportedly offering protection and aid services to communities who experience flooding.<sup>43</sup> There is a serious risk that armed conflict groups gain even a further stronghold in communities by providing services that are needed by the communities who experience further environmental degradation as a cause of illicit

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<sup>39</sup> United Nations. (2021, October 20). *Security Council presidential statement on Great Lakes urges concerted efforts against armed groups' illicit funding from pillaged natural resources | meetings coverage and press releases*. United Nations. Retrieved October 28, 2021, from <https://www.un.org/press/en/2021/sc14669.doc.htm>.

<sup>40</sup> USAID. (2021, January). *West Africa Biodiversity And Climate Change (WA BICC) West Africa Rosewoods Synthesis Report*. Retrieved November 1, 2021, from [https://pdf.usaid.gov/pdf\\_docs/PA00JDXW.pdf](https://pdf.usaid.gov/pdf_docs/PA00JDXW.pdf).

<sup>41</sup> Mackinnon, A. (2021, September 24). *Who blessed the VLADS down in Africa?* Foreign Policy. Retrieved October 30, 2021, from <https://foreignpolicy.com/2021/09/24/russia-wagner-group-mali-africa-putin-libya/>.

<sup>42</sup> Banusiewicz, J. (2014, October 13). *Hagel to address 'threat multiplier' of climate change*. Defense.Gov. Retrieved October 31, 2021, from <https://www.defense.gov/News/News-Stories/Article/Article/603440/>.

<sup>43</sup> *Letter dated 5 October 2021 from the chair of the Security Council Committee pursuant to Resolution 751 (1992) concerning Somalia addressed to the president of the Security Council: Final Report of the Panel of Experts on Somalia (S/2021/849) [en/ar] - somalia*. ReliefWeb. (2021, October 17). Retrieved October 30, 2021, from <https://reliefweb.int/report/somalia/letter-dated-5-october-2021-chair-security-council-committee-pursuant-resolution-751>.

extraction. The U.S. can bolster climate adaptation financing and local development projects while encouraging international bodies to do so as well. The funding of civil society and local community initiatives in areas impacted by armed conflict and illicit trade of natural resources is critical in combating this effort. Individuals who are well-respected in their communities, who speak the language, understand cultural customs, and have years of experience in their geographies are better suited to combat these issues than large non-governmental organizations could be from abroad.

The U.S. can also play a strategic role in placing more pressure on corporations and other countries to practice further transparency with their supply chains. In the spirit of U.S. efforts to be a good ally and promote good governance, it is time to ensure that companies who are procuring high-risk African resources work with partners to protect them from illicit interference in order to make supply chains safe and transparent. It is time to look at environmental crime from a holistic manner, seeing beyond the products and considering the issue for the conflict, corruption, poverty, and terrorism the illicit trade fuels throughout Africa. Once illicit goods arrive in importing countries, they can be considered as a product of that country, with the origin difficult to trace. Additionally, funding support for institution building of custom agencies and law enforcement in African countries should be provided so authorities can practice stronger enforcement and due diligence.

Despite the pervasive corruption and crime, I know and have collaborated with African leaders across communities and civil society who have dedicated their lives' work to ending the illicit trade of natural resources. Some have even risked their lives to protect their environment from threats as Global Witness estimated that there were 15 murders of environmental defenders in Democratic Republic of Congo alone in just 2020.<sup>44</sup> With all of these recommendations, I implore the U.S. to take a stronger stance on illicit trafficking in Africa and believe the U.S. can be a strong, invested partner in ending illicit natural resource trade in Africa while promoting good governance, democracy, and transparency throughout global supply chains. Thank you for your time today.

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<sup>44</sup> Global Witness. (2021, September 13). *The industries causing the climate crisis and attacks against defenders*. Global Witness. Retrieved October 30, 2021, from <https://www.globalwitness.org/en/campaigns/environmental-activists/last-line-defence/>.