

# ILLICIT TRAFFICKING OF PRECIOUS METALS AND ITS DESTABILIZING FACTORS IN SYSTEMS OF AFFECTED COUNTRIES

Illicit trafficking in precious metals<sup>(1)</sup> is an integral part of a growing international trend, of which the continued existence depends on organised crime, corruption and developmental inequalities. The problem of illicit trafficking in precious metals entails organised criminal groups exploiting loopholes in national and international legislation as well as gaps in the trade monitoring procedures.



Precious metals have significant value and have been considered as the standard for currency worldwide. These metals have high economic value and are used extensively in industry. This has also become the focus of organised criminal groups in producing countries such as South Africa, Africa, Russia, the USA, South America and China. Unfortunately, law enforcement in general has not recognised the emerging pattern of this global crime yielding high returns on the black market that funds other types of organised crime and terrorism and has thus not accorded it the same priority as they have other serious crimes. Not every country has the ability to produce and refine the metals to purity, and has to rely on other

countries for such purposes. The metals are in most instances transported in an unrefined or semi-refined form across the globe to international refiners. Due to the unrefined and semi-refined form of the metal, it makes it easy for organised criminal groups to move the commodity effortlessly across regional and international borders to international markets without being detected. They don't hesitate to defraud customs organisations by under declaring the true value and disguising the nature of the metal to circumvent regulatory frameworks designed to prevent fraud. This in the end allows for high yields, with the proceeds eventually finding their way into foreign bank accounts belonging to syndicate bosses.

This crime phenomenon constitutes a multi-billion dollar industry presenting a number of challenges and threats to producing countries' national security, government authority and socio-economic development, which manifest increased vulnerability to international organised crime and possible terrorist networks; the compromising of security organs, pervasive corruption within the state and society; the facilitation of an influx of illegal migrants and subsequent human trafficking as well as the illegal trade in arms and explosives. The total economic impact of losses suffered by affected countries producing precious metal unfortunately is not accurately quantifiable. Even relatively well researched statistics do not take into account the secondary effects of such losses. Economic growth and development is adversely affected through the fleecing of national assets and resources, leading to large losses in government revenue, declines in business revenue, threatening the viability and long-term sustainability of mines and their secondary industries, as well as the development of local communities. The growth in unemployment amongst miners and security costs to combat the phenomenon add further burdens on the public funds and threatens the viability of the global industry.

The illicit trafficking in precious metals consists of at least five identifiable, complex and interlinked levels of organised criminal activity ranging from individual criminal miners; gangs and illegal mining bosses; bulk buyers at national/regional level in the form of licensed or registered entities; front company exporters and international intermediary companies and buyers. It stands to reason that to effectively deal with the demand and supply chain, the national, regional and international illicit buyer market has to be dealt a severe blow. The success of these illegal activities depends on highly sophisticated export routes, the extensive use of international banking facilities, and the participation of governments and global companies, either willingly or unwillingly.

A number of platinum group metal and gold refineries situated in non-mining countries create a parallel market for illicit operations as a result of the complex methodologies employed by organised crime syndicates to conceal the country of origin. If these illicit operations are left unchecked, major mining countries will remain the target for organised criminal groups.

The rapid expansion of international transportation infrastructure and modern international telecommunication and banking systems, have assisted in facilitating the illicit trafficking in precious metals to markets which are today poorly regulated. Not all countries share the same focus, priorities or understanding with respect to the actions that ultimately contribute to organised crime and corruption. Various types of organised crime<sup>(2)</sup> are in most cases inter-related. However, international indifference to actions that are neither considered a crime, nor morally reprehensible in a particular country, hampers the fight against such local crimes of illicit trafficking in precious metals.

A lack of insight generated by the fact that these actions are not a crime or even considered morally reprehensible in a foreign country, leads to a failure in viewing the particular crime in its proper context within the entire criminal value chain of organised crime, and makes policing of this commodity challenging. The international community must now recognise the severity of the threat and issue a call to action by international bodies, law enforcement agencies and industries to help combat this emerging crime.

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(1) Platinum, palladium, gold, silver, rhodium, iridium, osmium and ruthenium

(2) Human trafficking, human smuggling, slavery, child labour, drug trafficking, gun running, organised corruption, money laundering, gang activity etc.