

**TESTIMONY OF WILLIAM WOODY, CHIEF, OFFICE OF LAW ENFORCEMENT,
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BEFORE THE U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN
AFFAIRS, SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE
AND COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON EMERGING
THREATS AND CAPABILITIES REGARDING
“STOPPING THE MONEY FLOW: THE WAR ON TERROR FINANCE”**

June 9, 2016

Introduction

Good afternoon Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, and Members of the Subcommittees. I am William Woody, Chief of the Office of Law Enforcement for the U.S. Fish and Wildlife Service (Service), in the Department of the Interior. I appreciate the opportunity to testify before you today to discuss the international wildlife trafficking crisis and the role of criminal syndicates.

Last year, Bob Dreher, Associate Director for the Service, testified before this subcommittee and described the role of criminal organizations in driving illicit wildlife trade and how the U.S. government is working to address the problem. Today, I will offer an update on the progress we've made in tackling the wildlife trafficking crisis and the challenges that we still face. I will highlight some of our work in disrupting large-scale wildlife trafficking operations by criminal syndicates, our work overseas through our Service law enforcement attachés and partnerships, as well as our work domestically to curb demand for illegal ivory.

The Wildlife Trafficking Crisis

Wildlife trafficking once was predominantly a crime of opportunity committed by individuals or small groups. Today, it is the purview of international criminal cartels that are well structured, highly organized, and capable of illegally moving large commercial volumes of wildlife and wildlife products. What was once a local or regional problem has become a global crisis, as increasingly sophisticated, violent, and ruthless criminal organizations have branched into wildlife trafficking. Organized criminal enterprises are a growing threat to wildlife, the world's economy, and global security.

Thousands of wildlife species are threatened by illegal and unsustainable wildlife trade. We have seen a resurgence of elephant poaching in Africa, which is threatening this iconic species. Africa's elephants are being slaughtered for ivory at rates not seen in decades. Populations of both savanna and forest elephants have dropped precipitously, and poaching occurs across all regions of Africa. In addition, over the past five years, the poaching of rhinos for their horns has surged upward. Tragically, the current poaching epidemic threatens to reverse fifty years of recovery for African rhinos.

Improved economic conditions in markets such as China and other parts of East and Southeast Asia are fueling an increased demand for elephant ivory, rhino horn, and other wildlife products. More Asian consumers have the financial resources to purchase these wildlife products, which

are a status symbol for new economic elites. Increasingly, ivory, rhino horn and other high-value wildlife products are being acquired as investments, with speculators hoping that prices continue to rise; buyers are quite literally banking on extinction. Although the primary markets are in Asia, the United States continues to play a significant role as a major consumer and transit country for illegally traded wildlife, and we must be a part of the solution.

The Administration recognizes that if illicit wildlife trade continues on its current trajectory, some of the world's most treasured animals could be threatened with extinction. In response to this crisis, on July 1, 2013, President Obama issued Executive Order 13648 to enhance coordination of U.S. Government efforts to combat wildlife trafficking and assist foreign governments with capacity building.

The Executive Order established a Presidential Task Force on Wildlife Trafficking charged with developing and implementing a National Strategy for Combating Wildlife Trafficking, which was signed in 2014, and was followed by an implementation plan that was released last year. The implementation plan builds on the strategy and reaffirms our Nation's commitment to work in partnership with governments, local communities, nongovernmental organizations, and the private sector to address wildlife trafficking. In March, the Administration released the First Annual Progress Assessment of the Presidential Task Force on Combating Wildlife Trafficking. The report documents the many successes we have had over the past year, but recognizes the sizeable challenge that still lies ahead.

Addressing Wildlife Trafficking and Organized Crime

Wildlife trafficking is a multi-billion dollar illegal trade fueled by demand and enabled by corruption, limited legal authorities and law enforcement capabilities, and weak institutions. Organized criminal groups have seized upon wildlife trafficking as a low-risk, high reward crime and have made it a global crisis demanding the focus and attention of nations and their citizens to address it.

Through our law enforcement investigations, we have seen direct links between wildlife trafficking and organized crime. Our investigations have specifically documented transnational organizations involved in the trafficking of endangered species. For example, we have documented eastern European and Russian organized crime involvement in the caviar trade, Irish organized crime involvement in the rhino horn trade, Mexican drug organizations involvement in the totoaba trade, African gangs involved in elephant ivory poaching and smuggling, and Asian criminal groups involved in timber trafficking.

Addressing the involvement of these criminal organizations requires strong and effective law enforcement, both in the United States and abroad. This depends on a robust legal framework, as well as the investigative, prosecutorial, and judicial capacity to respond to poaching and wildlife trafficking. Enforcement involves disrupting wildlife trafficking networks, apprehending and prosecuting traffickers, seizing and forfeiting the proceeds of the crimes, and applying penalties that deter and prevent others from committing such crimes.

Operation Crash

Last year, Associate Director Dreher discussed the ongoing nationwide criminal investigation known as “Operation Crash”. To date, Operation Crash has led to 41 arrests, 30 convictions and the seizure of smuggled tusks and horns with a street value in excess of \$75 million. In addition to wildlife crimes, the defendants also have been charged with money laundering, tax evasion, falsifying documents, mail fraud and bribery.

Convictions under Operation Crash continue. In November of last year, Linxun Liao, a Canadian citizen and partner in a Chinese art and antiques business, was sentenced to two years in prison for his role in an online wildlife trafficking scheme in which he purchased and smuggled 16 “libation cups” carved from rhinoceros horns and worth more than \$1 million from the United States to China. Liao was also ordered to forfeit the \$1 million and 304 pieces of carved ivory.

This March, Operation Crash resulted in a significant conviction concerning a major auction house. Joseph Chait, the senior auction administrator of a gallery and auction house located in Beverly Hills, California, pled guilty to conspiring to smuggle wildlife products made from rhinoceros horn, elephant ivory, and coral with a market value of approximately \$1 million. Chait personally falsified customs forms by stating that rhinoceros horn and elephant ivory items were made of bone, wood or plastic.

These recent convictions, along with dozens more, demonstrate that Operation Crash has resulted in tangible results, putting key leaders in the rhino horn and elephant ivory black markets behind bars, and creating a real deterrent for others considering such illegal activity. And this investigation is far from over. The subjects we arrest often provide leads that result in additional arrests and convictions, with a “domino” effect that multiplies the impact of the investigation.

Totoaba Smuggling

The Service, National Oceanic and Atmospheric Administration (NOAA), Department of Homeland Security (DHS), and Customs and Border Protection (CBP) special agents and officers continue to collaborate on cases involving totoaba smuggling and are working with the Department of Justice to continue prosecuting these cases. Totoaba is an endangered and legally-protected fish found only in the Gulf of California whose large swim bladder is highly prized as a delicacy and for its purported health benefits. Illegal gill net fishing for totoaba often results in entanglement and drowning of a critically endangered porpoise species, the vaquita.

Federal law enforcement in southern California are conducting a multi-year investigation that has so far seized over 500 totoaba swim bladders smuggled into the United States, with eleven defendants charged. One subject was caught smuggling 27 totoaba swim bladders under the backseat floor mats of his vehicle. Another 214 totoaba swim bladders were discovered under a search warrant of his home, a likely “drop house” used solely for the purpose of drying out swim bladders in order to smuggle them. In a civil forfeiture action, the subject forfeited \$138,000, the value of his Calexico, California home, and was indicted for his criminal involvement in the smuggling operation. The total restitution ordered to be paid to the government of Mexico from two defendants in the investigation is currently set at \$620,500.

Narwhal Trafficking

A cooperative Service, NOAA, and Environment Canada investigation of the illegal importation and trafficking of narwhal tusks resulted in Federal felony indictments against three U.S. residents and their Canadian supplier. Two of the U.S. defendants pled guilty. The third elected to stand trial in Maine and was convicted of conspiracy and smuggling violations for buying and illegally importing narwhal tusks into the United States, and money-laundering violations associated with the illegal importations. He was sentenced to 33 months in prison and was ordered to forfeit \$85,089, six narwhal tusks, one narwhal skull, and to pay a \$7,500 fine. The market value of the illegally imported tusks was valued at between \$120,000 and \$200,000.

Stationing Service Law Enforcement Overseas

Wildlife trafficking is increasingly a transnational crime involving illicit activities in two or more countries and often two or more global regions. Cooperation between nations is essential to combat this crime. With assistance from the State Department, we created the first program for stationing Service regional wildlife law enforcement special agents at U.S. embassies as attachés to coordinate investigations of wildlife trafficking and support wildlife enforcement capacity building. The first attaché began work in March 2014 in Bangkok, Thailand. In 2015, the Service placed special agent attachés in Gaborone, Botswana; Lima, Peru; Dar es Salaam, Tanzania; and Beijing, China.

In 2015, U.S. agencies together trained more than 2,000 enforcement officials from rangers to judges, helping more than 40 countries better protect wildlife, from parrots to pangolins. For example, the Service, in conjunction with the U.S. Immigration and Customs Enforcement and the non-profit organization Freeland conducted two wildlife trafficking investigation trainings in Cha-am, Thailand. The training focused on advanced investigation techniques and included practical exercises on conducting a controlled delivery from a commercial environment.

The Service attachés play a critical role in the U.S. government's ability to combat wildlife trafficking from a global perspective and assist in facilitating a whole-of-government approach by providing very technical and specific expertise to counter wildlife trafficking issues throughout the world. The attachés are actively providing investigative support and facilitating the sharing of information across borders while providing technical expertise on a peer-to-peer and government-to-government perspective. The attachés have provided training in areas such as crime scene processing and evidence collection, wildlife identification, technical investigative techniques, handling and processing of digital evidence.

Technical Assistance and Grants to Build In-Country Capacity

Through our Combating Wildlife Trafficking Notice of Funding Opportunity, the Service supports efforts to assist foreign governments in range, transit, and consumer countries affected by wildlife trafficking by building the capacity to address the wildlife trafficking chain at any critical stage of enforcement. These efforts focus on building the capacity to fight wildlife trafficking through crafting stronger laws, stopping poachers, protecting borders, investigating traffickers, fighting trafficking-related corruption, improving professionalism, strengthening judicial and prosecutorial effectiveness, building and bringing strong cases, and obtaining penalties adequate to deter others. Pre-proposals for this funding opportunity were due at the end of April and the Service is in the process of inviting a select group to submit full applications.

Additionally, this September, the United States will host the International Conservation Chiefs Academy (ICCA), which will bring together 40 leaders of conservation law enforcement agencies from Africa to build capacity and collaborate with other leaders.

Addressing the Illegal Trade

Anti-poaching and anti-trafficking enforcement efforts must be complemented by a directed effort to curtail the persistent market demand that drives this illegal trade. In the past year, the U.S. has taken significant steps to curb demand.

U.S. Ivory Ban

On June 6, 2016, the Service published a final rule under the Endangered Species Act (ESA) to institute a near-total ban on the domestic commercial trade of African elephant ivory. The rule, which fulfills restrictions outlined under President Obama's 2013 Executive Order on Combating Wildlife Trafficking, substantially limits imports, exports and sales of African elephant ivory across state lines.

Law enforcement investigations demonstrate that wildlife traffickers have exploited prior regulations allowing for legal trade in ivory. Under current laws, once illegal ivory enters the market, it becomes nearly impossible to distinguish from legal ivory, limiting the effectiveness of law enforcement efforts to intercept black market shipments and catch traffickers. The new rule will provide federal agents with clearer lines of demarcation to identify illegal ivory. Demand for elephant ivory, mostly in Asia, is so great that it grossly outstrips the legal supply and creates a void in the marketplace that ivory traffickers are eager to fill. Perpetuating legal trade only serves to stimulate this consumer demand and further threaten wild elephant populations. By closing our domestic market, not only do we ensure that the U.S. is not contributing to elephant poaching and illegal ivory trade, we also position the U.S. to push China and other countries to take similar decisive action to restrict or close their markets.

Times Square Ivory Crush

Last June, in Times Square, New York City, the Service hosted its second ivory crush event. One ton of ivory we seized during an undercover operation, plus other ivory from the New York State Department of Environmental Conservation and the Association of Zoos and Aquariums, was crushed.

Capitalizing on this event, the Department of State promoted the United States' ivory crushes to audiences around the world, advocating for other countries to take similar actions. In 2015 and 2016, with the support and encouragement of U.S. officials, the governments of China, Ethiopia, Mozambique, Republic of the Congo, Thailand, the United Arab Emirates, Sri Lanka, Italy, Malaysia, Cameroon, and most recently Kenya burned all of their respective stockpiles of seized ivory.

Global Commitments

Our commitment to eliminate the domestic trade of ivory in the U.S. through our ivory ban and ivory crush events have given significant weight to our diplomatic efforts to affect policy and

legal change in other countries that also play significant roles in the global demand for illegal ivory and other wildlife products.

Last September, President Obama and Chinese President Xi Jinping decided to enact nearly complete bans on ivory import and export, and to take significant and timely steps to halt the domestic commercial trade in ivory. When enacted, these steps will have a dramatic impact on two of the world's largest wildlife markets and may lead other countries to halt their domestic commercial ivory markets. With the finalization of the U.S. ivory ban, we are fulfilling the commitment we made last September and encouraged China to do the same this week during the U.S.-China Strategic and Economic Dialogue.

Additionally, just a few weeks ago during President Obama's visit to Vietnam, the United States and the Socialist Republic of Vietnam announced a partnership to strengthen efforts and improve collaboration in four strategic areas, including reducing consumer demand, strengthening law enforcement and prosecution, improving and implementing legal frameworks for wildlife crime, and bolstering international cooperation. Vietnam will also be hosting the third Conference on the Illegal Wildlife Trade in Hanoi in November 2016.

Another important component of our fight against wildlife trafficking is the inclusion of anti-trafficking efforts in international trade agreements. In the Trans-Pacific Partnership (TPP) agreement with eleven other countries in the Asia-Pacific, the Administration secured historic commitments to combat wildlife trafficking and provide strengthened protections for wildlife. The TPP commits countries to implementing, strengthening, and enforcing measures that protect threatened and endangered species like rhinos and pangolins, and to matching new protections with cooperative tools that will spur and support regional action. This is critical as the TPP countries include some of the world's most biologically diverse and ecologically significant regions. One of the key features of the TPP is that all commitments are fully enforceable and subject to trade sanctions – a powerful tool to catalyze strong and sustained action to address this environmental crisis.

Future Challenges and Needs

While we have made great strides recently to address wildlife trafficking, there is still much work to be done. Wildlife trafficking persists at unsustainable levels and the role of well-armed, highly organized criminal syndicates makes this an urgent threat to wildlife, communities, and global security. African elephant populations have declined by roughly 20 percent in the last decade to just over 400,000, and one out of every twenty wild rhinos was killed by a poacher in the last year alone. This is a complicated situation that demands a long-term, focused, coordinated, and sustained effort.

Increasing Capacity to Address Wildlife Trafficking

For Fiscal Year 2017, the Service is requesting increases in International Affairs to fund additional wildlife trafficking actions. The Service is using increased funding provided by Congress in FY 2016 to combat expanding illegal wildlife trafficking and expand the capability of wildlife forensics to provide the evidence needed for investigating and prosecuting criminal activity. However, a successful effort to combat wildlife trafficking cannot solely rely on

investigating and prosecuting criminal activity; it must also change attitudes and consumption patterns to reduce market demand for wildlife products. To that end, the 2017 budget requests an additional \$500,000 for the Service's International Affairs program to support efforts to combat wildlife trafficking and drive down demand for products from flagship species such as tigers, elephants, and rhinos.

Strengthening Legal Authorities

We need to do more to target and disrupt the sophisticated, violent and ruthless criminal organizations increasingly branching out into wildlife crime. For these criminals, wildlife crime still offers low risk and high rewards compared to drug and weapons trafficking. We need to change that calculus, treating transnational wildlife crime as the pernicious threat to global stability, security, and the environment that it is. This includes stiffening penalties for wildlife crimes in consumer nations as well as range countries.

The Administration's National Strategy for Combating Wildlife Trafficking called on Congress to consider legislation to recognize wildlife trafficking crimes as predicate offenses for money laundering and to ensure that funds generated through prosecutions are directed back to conservation efforts or to combating wildlife trafficking. These actions would be invaluable to the Service's law enforcement efforts because they would help place wildlife trafficking on an equal footing with other serious crimes. We commend Chairman Royce and Ranking Member Engel for introducing, and the U.S. House of Representatives for passing H.R. 2494, the Global Anti-Poaching Act, which would take steps toward these important goals. Changing the law in this area is key to ending the days of wildlife trafficking being a low-risk, high-profit crime.

Conclusion

Thank you for the opportunity to present testimony today. I appreciate the Subcommittee's support of our efforts to combat wildlife trafficking. I look forward to working with you to ensure a secure future for imperiled species across the globe. I would be pleased to answer any questions that you may have.