



GRINDING RHINO – An Investigation into Rhino Horn Trafficking in China and Vietnam

How to Read the Report

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The following is a summary outline of the report *Grinding Rhino – An Investigation into Rhino Horn Trafficking in China and Vietnam*, with highlights of the most important findings from this incredibly comprehensive investigation, with a sample of some of the most interesting conversations recorded by the EAL team.

Operation Red Cloud was an undercover intelligence gathering and investigative operation designed to expose and map the networks, the players and the means (or ‘modus operandi’) by which rhino horn is trafficked into and throughout China. The operation was performed over an 11-month period from August 2016 through June 2017. EAL investigators performed off-site research and intelligence analysis, then executed multiple field missions to China and Vietnam. The team 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.

Ultimately, **EAL can say with high confidence that the black market for rhino horn is still active throughout much of China, with Vietnam still probably the most important point of entry.** Culture, local and national economic factors, and corruption continue to drive both the supply and demand for rhino horn products in these countries.

The report begins with an introduction of:

- EAL’s intelligence-led approach (p. 7)
- The primary problem – unprecedented consumer demand for rhino horn (p. 9)
- The investigative plan and objectives (p. 11)

This is followed by a background on:

- The status of rhino populations and the current poaching crisis (p. 12)
- The culture and rhino horn supply and the black market in China prior to this investigation (p. 16 and 18)

The Investigation

The next section, **from page 21**, entitled **Operation Red Cloud**, is the meat of the investigative report, containing a description of the operation, descriptions and transcripts of how rhino horn makes its way to Chinese consumers, and resulting observation and trends. The results are broken down by region following the path that rhino horn takes to the consumers.

RESULTS: HOW RHINO HORN MAKES ITS WAY TO CHINESE CONSUMERS

Vietnam	p. 24
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Guangdong Province	p. 50
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OBSERVATIONS & TRENDS

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A few important trends identified through Operation *Red Cloud* are listed below, with some **conversations** (translated from Chinese to English) between EAL investigators and the illegal traders. Note that POI stands for Persons of Interest.

1. **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 moves from Vietnam to the Guangxi or Yunnan Provinces and then to China's primary retail markets (Guangdong, Fujian, Zhejiang, Beijing).
2. The **price identified** was between \$26,500 and \$40,000/kg for whole raw rhino horn, and between \$34 and \$70/gram for cut objects (see products list and prices on the report).
3. 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).
 - A few examples of this trend can be found on pages 31, 36-37, 39, 43, and 55. A sampling of quotes from these discussions include:

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: 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.

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

4. **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.

- A few examples of this trend can be found on pages 32, 33-34, 38, and 40. A sampling of quotes from these discussions include:

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.

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.

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.

5. In China, **many traders offer delivery of illicit goods via registered courier services.**

- A few examples of this trend can be found on pages 28, 57, and 62. A sampling of quotes from these discussions include:

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.

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).

6. Similar routes are used for **all types of contraband**, including illegal arm and narcotics.

- An example of this trend can be found on pages 46-47. The discussion includes the following quote:

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.

7. **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.

- A few examples of this trend can be found on pages 38, 40, 42, 47, and 61-62. A sampling of quotes from these discussions include:

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: 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.

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.

TRADER: My friend got caught about half month ago. 2 tons of ivory.

EAL: The friend from Ho Chi Minh City?

T: No. Another one.

EAL: Where did he get caught?

TRADER: He ran away. But he still got caught after half month. After 2 days, he was released.

EAL: He paid?

T: Yes. Or he will be in jail for 7 years.

EAL: How about the ivory?

T: You can get it out.

EAL: How much did he paid?

T: 4 Millions of (Chinese) RMB for his freedom.

6. 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.

- A few examples of this trend can be found on pages 37 and 41. A sampling of quotes from these discussions include:

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 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 they do have for sell.

7. 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.
 - This reference can be found on page 32. The transcripts from this discussion have been left out of the report because the investigative team is still in contact with the POI.
8. A seasoned rhino horn dealer that is 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**.
 - This discussion can be found on page 53. Here is a quote from this discussion.

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].

OTHER WILDLIFE PRODUCTS – PAGE 69

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:**

We talked about **tiger and lion bones**:

EAL: How much per kilo do you sell?

Trader: RMB 8,000 per kilo (USD 1,175).

[...]

EAL: What about tiger.

T: Less people doing tiger.

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

T: I did more tiger this year. Rhino horn's profit is less this year.

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

EAL: From Laos. And Africa.

T: Africa has no tigers?

EAL: We get lion from Africa.

T: Lion bone. What is in Laos?

EAL: Tiger.

I: Farm one or wild one?

T: Wild one.

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.

EAL: How much is it?

Trader: RMB 28,000 (USD 4,100)

EAL: Why is it so expensive?

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

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

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

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

Trader: See, it's a huge money. How long do the normal folk need to earn such a fortune?



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).

More information about identified trends can be found in the “**Observations & Trends**” section of the report.

Further report sections include the following:

- **Confidential Intelligence Brief** - see below for explanation (p. 75)
- **EAL’s Rhino Horn Investigation in South Africa In-Progress** – Operation Giona – EAL investigation currently underway at the beginning of the rhino horn supply chain (p. 79)
- **Conclusions** (p. 80)

A **full list of identified Persons of Interests** (redacted) may be found in **Appendix A** and a **list of all rhino horn products viewed** by EAL investigators, along with pricing where available, may be found in **Appendix B**.

A section of note is the Confidential Intel Brief (CIB) discussion. EAL has prepared a comprehensive CIB for law enforcement authorities from all the data gathered during Operation *Red Cloud*. Much of the information gathered only appears in this CIB and it has been submitted to law enforcement authorities in China, Vietnam, and applicable U.S. agencies.

The CIB is arguably the most important piece of output from this investigative operation. 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 concrete evidence of illegal activity uncovered during the investigation, as well as hundreds of photos and hours of relevant undercover footage. The final product for Operation *Red Cloud* is over 200 pages with detailed data on 55 POIs directly or indirectly involved in the rhino horn trade and other wildlife products.

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.

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