

**U.S. TRADE WITH THE WORLD AND AL QAEDA WATCH LIST COUNTRIES- 2001**

**AN ESTIMATE OF MONEY MOVED OUT OF AND INTO THE U.S.**

**DUE TO**

**SUSPICIOUS PRICING IN INTERNATIONAL TRADE**

**BY**

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Objective: The objectives of this research study are:

- A. Estimate the amount of money moved out of the United States due to undervalued exports and overvalued imports.
- B. Estimate the amount of money moved out of the United States to the countries listed in the U.S. State Departments Al Qaeda watch list.
- C. Estimate the amount of money moved into the United States due to overvalued exports and undervalued imports.

This research determines the estimate of money shifted out of and in to the United States based on pricing norms, (interquartile range), as specified in the section 482 regulations of the Internal Revenue Service tax code.

#### Data

This research is based on the U.S. import and export data produced by the U.S. Department of Commerce, Bureau of Census, and contained in the U.S. Merchandise trade database. This is the same database used to determine the U.S. balance of trade. We assume that the U.S. Treasury, U.S. Customs Bureau, and the U.S. Department of Commerce maintain a quality control system to minimize errors and produce and sell accurate data.

#### A. Estimated Amount of Money Moved Out Of The U.S.

1. We determined the median price, lower quartile export price and the upper quartile import price for every commodity exported and imported to and from every country. (There are 16,390 import commodity codes and 8,568 export commodity codes in 2001. There are 230 countries that trade with the United States in the same year.)
2. We evaluated every import record and compared it to the country specific import upper quartile price to determine if it was over-valued. We determined the dollar value of over-valuation for every import transaction.
3. We evaluated every export record and compared it to the country specific export lower quartile price to determine if it was under-valued. We determined the dollar value of under-valuation for every export transaction.
4. We aggregated the dollar value of every under-valued export transaction and every over-valued import transaction for every commodity, and for every country.
5. The total estimated money moved out of the U.S. for 2001 is \$156,225 Billion. (See Tables 1, 2, 3)

### Examples of Abnormal Transactions

In Tables 4 and 5 we give some examples of abnormally priced transactions that are contained in the U.S. Merchandise Trade Database. We have observed thousands of abnormally priced transactions in all U.S. Customs Districts and with all countries in the world.

### Undervalued Exports vs. Overvalued Imports

The largest amount of money moved out of the United States was through under-valued exports (71.2%) as compared to over-valued imports (28.8%). This has significant law enforcement implications. Most law enforcement efforts are focusing on monitoring U.S. imports.

#### MONEY MOVED OUT OF THE UNITED STATES (2001)

<u>SUSPICIOUS PRICING</u>	<u>DOLLAR VALUE</u>	<u>PERCENT</u>
OVER-VALUED IMPORTS	\$ 44.954 BILLION	28.8%
UNDER-VALUED EXPORTS	\$ 111.271 BILLION	71.2%
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TOTAL	\$ 156.225 BILLION	100.0%

### B. Estimated Amount of Money Moved to Al Qaeda Watch list Countries

The estimates of the amounts of money moved from the United States to the 25 countries contained in the U.S. State Departments watch list are contained in Table 6. Trade with the top 5 Al Qaeda listed countries resulted in \$3.65 billion moved out of the United States to these countries.

#### MONEY MOVED FROM U. S. TO AL QAEDA WATCH LIST COUNTRIES – TOP 5

<u>COUNTRY</u>	<u>DOLLAR AMOUNT MOVED</u>
MALAYSIA	\$ 2,220,978,718
INDONESIA	\$ 564,597,632
SAUDI ARABIA	\$ 486,669,248
UNITED ARAB EMIRATES	\$ 232,737,819
EGYPT	\$ 148,085,489
TOTAL – TOP 5 COUNTRIES	\$ 3,653,068,906
OTHER COUNTRIES – 20	\$ 619,142,176
TOTAL	\$ 4,272,211,082

### C. Estimated Amount of Money Moved Into the United States - Summary

1. We determined the median price, upper quartile export price and the lower quartile import price for every commodity exported and imported to and from every country. (There are 16,390 import commodity codes and 8,568 export commodity codes in 2001. There are 230 countries that trade with the United States in the same year.)
2. We evaluated every import record and compared it to the country specific import lower quartile price to determine if it was under-valued. We determined the dollar value of under-valuation for every import transaction.
3. We evaluated every export record and compared it to the country specific export upper quartile price to determine if it was over-valued. We determined the dollar value of over-valuation for every export transaction.
4. We aggregated the dollar value of every over-valued export transaction and every under-valued import transaction for every commodity, and for every country.
5. The total estimated money moved into of the U.S. for 2001 is \$213.26 Billion.

MONEY MOVED INTO THE UNITED STATES (2001)

<u>SUSPICIOUS PRICING</u>	<u>DOLLAR VALUE</u>	<u>PERCENT</u>
UNDER-VALUED IMPORTS	\$ 167.866 BILLION	78.7%
OVER-VALUED EXPORTS	\$ 45.394 BILLION	21.3%
TOTAL	\$ 213.260 BILLION	100.0%

**TABLE 1: TOP 25 SOURCES OF MONEY MOVED OUT OF THE U.S.  
DUE TO  
SUSPICIOUS TRADE PRICING (Undervalued Exports & Overvalued Imports)**

<b>2001 TOTAL TRADE</b>	<b>Money Shifted (\$ millions)</b>
<b>All Countries</b>	<b>\$156,225</b>
<b>Top 25 Countries</b>	<b>\$144,332</b>
JAPAN	\$35,957
CANADA	\$14,608
FR GERM	\$13,646
MEXICO	\$10,175
U KING	\$8,833
NETHLDS	\$7,731
CHINA	\$7,107
FRANCE	\$5,157
PHIL R	\$4,973
TAIWAN	\$4,431
KOR REP	\$4,423
SINGAPR	\$3,108
HG KONG	\$2,969
ITALY	\$2,800
IRELAND	\$2,660
MALAYSA	\$2,221
AUSTRAL	\$1,840
BRAZIL	\$1,792
INDIA	\$1,781
BELGIUM	\$1,745
SWEDEN	\$1,732
SWITZLD	\$1,433
THAILND	\$1,342
ISRAEL	\$1,057
VENEZ	\$809

**TABLE 2: TOP 25 SOURCES OF MONEY MOVED OUT OF THE U.S.  
DUE TO UNDERVALUED U.S. EXPORTS**

2001 U.S. EXPORTS	Money Shifted (\$ millions)
<b>All Countries</b>	<b>\$111,272</b>
<b>Top 25 Countries</b>	<b>\$103,591</b>
JAPAN	\$29,864
FR GERM	\$10,221
NETHLDS	\$7,299
CANADA	\$6,987
MEXICO	\$6,954
U KING	\$6,578
PHIL R	\$4,269
FRANCE	\$3,579
KOR REP	\$3,055
CHINA	\$2,853
HG KONG	\$2,541
TAIWAN	\$2,510
SINGAPR	\$2,459
AUSTRAL	\$1,632
ITALY	\$1,478
BELGIUM	\$1,474
INDIA	\$1,435
SWEDEN	\$1,424
BRAZIL	\$1,420
IRELAND	\$1,377
MALAYSA	\$1,233
SWITZLD	\$801
THAILND	\$796
ISRAEL	\$722
NORWAY	\$630

**TABLE 3: TOP 25 SOURCES OF MONEY MOVED OUT OF THE U.S.  
DUE TO OVERVALUED IMPORTS**

2001 U.S. IMPORTS	Income Shifted (\$ millions)
<b>All Countries</b>	<b>\$44,954</b>
<b>Top 25 Countries</b>	<b>\$41,072</b>
CANADA	\$7,622
JAPAN	\$6,093
CHINA	\$4,254
FR GERM	\$3,425
MEXICO	\$3,220
U KING	\$2,255
TAIWAN	\$1,921
FRANCE	\$1,578
KOR REP	\$1,368
ITALY	\$1,322
IRELAND	\$1,283
MALAYSA	\$988
PHIL R	\$704
SINGAPR	\$649
SWITZLD	\$632
THAILND	\$546
NETHLDS	\$432
HG KONG	\$428
BRAZIL	\$372
DENMARK	\$353
INDIA	\$346
VENEZ	\$340
ISRAEL	\$336
SWEDEN	\$308
INDNSIA	\$296

**TABLE 4: ABNORMALLY HIGH U.S. IMPORT PRICES**

Multiple Vitamins	China	\$ 1,868.77/kg
Plastic Buckets	Czech	\$ 972.98/unit
Fence Posts – Treated	Canada	\$ 1,853.50/meter
Wood Moldings	Bolivia	\$ 1,124.17/meter
Toilet/Facial Tissue	China	\$ 4,121.81/kg
Briefs and Panties	Hungary	\$ 739.25/doz
Unglazed Tiles – Ceramic	Italy	\$ 4,480.00/sqmtr
Rubies – Cut, Not Set	Burma	\$38,192.30/carat
Bolts – Iron or Steel	France	\$ 3,067.17/kg
Threaded Nuts	Belgium	\$ 2,426.70/kg
Tweezers – Base Metal	Japan	\$ 4,896.00/unit
Lawnmower Blades	Australia	\$ 2,326.75/unit
Razors	UK	\$ 113.20/unit
Telephone Sets – One Line	Japan	\$ 2,728.00/unit
Unrecorded Magnetic Disks	Denmark	\$ 164.19/unit
Smoke Detectors – Battery Powered	Germany	\$ 3,500.00/unit
Industrial Hand Trucks	Spain	\$ 3,800.86/unit
Hypodermic Syringes	Switzerland	\$ 142.78/unit

**ABNORMALLY HIGH IMPORT PRICES FROM AL QAEDA WATCH COUNTRIES**

Cotton Dishtowels	Pakistan	\$ 153.72/unit
Glass Mirrors (less than 929 sq. cm.)	Indonesia	\$ 164.54/sq.cm.
Razors	Egypt	\$ 22.89/unit
Air Pumps (hand/foot operated)	Malaysia	\$ 5,000.00/unit
Camshafts and Crankshafts	Saudi Arabia	\$ 15,200.00/unit



**TABLE 5: ABNORMALLY LOW U.S. EXPORT PRICES**

Bovine Animals - Live	Mexico	\$ 20.65/unit
Multiple Vitamins	Finland	\$ 1.34/kg
Dynamite	Canada	\$ 1.24/kg
Radial Tires – Bus/Truck	UK	\$ 11.74/unit
Diamonds – Not Industrial	India	\$ 13.45/carat
Toilets - Bowls with Tanks, one piece	Hong Kong	\$ 1.75/unit
Aluminum Ladders	Japan	\$ 4.40/unit
Fork-Lifts, Self Propelled	Jamaica	\$ 384.14/unit
Bulldozers – Self-Propelled	Colombia	\$1,741.92/unit
Automatic Teller Machines	France	\$ 97.00/unit
Trash Compactors	UK	\$ 54.82/unit
Video Projectors – Color	Brazil	\$ 33.95/unit
Road Tractors – For Semi-Trailers	Nigeria	\$3,750.00/unit
Truck Caps	Mexico	\$ 10.77/unit
Cameras – SLR, 35mm	Colombia	\$ 7.44/unit
Clinical Thermometers	Germany	\$ .06/unit
Wrist Watches – Cases of Precious Metal	Colombia	\$ 8.68/unit
Missile and Rocket Launchers	Israel	\$ 52.03/unit
Prefabricated Buildings	Trinidad	\$ 1.20/unit
Seats – For Motor Vehicles	Belgium	\$ 1.66/unit

**ABNORMALLY LOW EXPORT PRICES TO AL QAEDA WATCH**

**COUNTRIES**

Color Video Monitors	Indonesia	\$ 22.43/unit
Color Video Monitors	Pakistan	\$ 21.90/unit
Sports Footwear (Athletic Shoes)	Jordan	\$ .40/pair
Radioactive Elements, Isotopes	Egypt	\$ .01/mbq

**TABLE 6: MONEY MOVED FROM UNITED STATES  
TO  
25 COUNTRIES ON THE AL QAEDA WATCH LIST  
(UNITED STATES STATE DEPARTMENT)**

<b><u>COUNTRY</u></b>	<b><u>DOLLAR AMOUNT MOVED</u></b>
AFGHANISTAN	\$ 000
ALGERIA	\$ 124,421,866
BAHRAIN	\$ 16,004,725
DJIBOUTI	\$ 122,985
EGYPT	\$ 148,085,489
ERITREA	\$ 600
INDONESIA	\$ 564,597,632
IRAN	\$ 11,569,573
IRAQ	\$ 67,662,644
JORDAN	\$ 71,612,092
KUWAIT	\$ 112,387,281
LEBANON	\$ 15,218,134
LIBYA	\$ 000
MALAYSIA	\$ 2,220,978,718
MOROCCO	\$ 19,757,981
OMAN	\$ 20,418,000
PAKISTAN	\$ 104,740,118
QATAR	\$ 23,083,398
SAUDI ARABIA	\$ 486,669,248
SOMALIA	\$ 11,498
SUDAN	\$ 100,517
SYRIA	\$ 6,658,133
TUNISIA	\$ 21,067,826
UNITED ARAB EMIRATES	\$ 232,737,819
YEMEN	<u>\$ 4,304,805</u>
<b>TOTAL</b>	<b>\$ 4,272,211,082</b>