

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% |
| <hr/> | | |
| 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)**

| 2001 TOTAL TRADE | Money Shifted (\$ millions) |
|-------------------------|--|
| All Countries | \$156,225 |
| Top 25 Countries | \$144,332 |
| 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) |
|--------------------------|--|
| All Countries | \$111,272 |
| Top 25 Countries | \$103,591 |
| 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) |
|-------------------------|---------------------------------|
| All Countries | \$44,954 |
| Top 25 Countries | \$41,072 |
| 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)**

| <u>COUNTRY</u> | <u>DOLLAR AMOUNT MOVED</u> |
|----------------------|----------------------------|
| 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> |
| TOTAL | \$ 4,272,211,082 |