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Research Paper

Addressing the Causal Factors of Poverty in Muslim Mindanao: Perspectives from Thomas Pogge and Iris Marion Young

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Abstract: This paper intends to discuss the nature and consequences of the institutional causal factors of deprivation in Muslim Mindanao. Poverty can be attributed to clannish rivalries, failures in peace agreements, a shadow economy controlled by local bosses, and a patronage system of government dominated by the elites. Historical as well as structural injustice are the direct causes of poverty in the region. Exclusion is anchored in centralised rule, which denies Muslim Filipinos their basic rights to human well-being. The existing approaches to improving the standard of living in Muslim Mindanao do not address the control of political dynasties, enabled by political power brokers who want to perpetuate their vested interests. Following the ethical frameworks of Thomas Pogge and Iris Marion Young, I argue that overturning the problem of poverty in the Bangsamoro requires the levelling of the playing field by introducing grassroots-based political parties who in turn, once in power, can dismantle the dominance of influential clans and families by introducing inclusive and competitive economic policies that can promote equitable wealth distribution within the region.

Keywords:

1. Poverty
2. Bangsamoro
3. Patronage System
4. Clannish Politics
5. Underground Economy

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1. Introduction

Thomas Pogge (2008) presents a moral approach to fighting poverty. Society, according to Pogge (2007), has a negative duty not to harm the poor. Pogge's theory asserts that the present international rules and policies established by a hegemonic global order led by affluent and powerful states violate the basic rights of human beings. The duty to prevent harm comes from the corrective or rectificatory approach to justice (Collste, 2015). Rectificatory justice is about compensating the victims of colonialism and its aftermath (Browne, 2024). Beyond the Rawlsian principle of distribution, Pogge (2007) asserts that this moral obligation applies to instances where the basic structure is damaged by the colonial power that has exploited the local population. For Pogge (2008), emphasising the negative duty of affluent states is more important than providing aid to poor countries. In the case of the Philippines, improving the situation of Muslim Filipinos requires dismantling a patronage system that has stifled human progress.

Improving the life situation of people in Muslim Mindanao necessitates repairing unjust structures and uneven systems that deprive people of the opportunity to realize a dignified life. People in the Bangsamoro suffer from particular forms of injustices that deprive them of the resources needed to obtain a decent standard of living. Iris Marion Young (2002) mentions such forms of injustice, which include exploitation, cultural imperialism, and violence. People who have become victims of conflict and wars continue to suffer because they are denied their rights. Young's perspective is useful in understanding the nature of structural injustice. In the Bangsamoro, the reality of social, cultural, and political types of oppression can be found in the dynamics of power that prevail in the region. The dynastic nature of its politics is a threat to human well-being and the peacebuilding process. The existence of an underground economy and the discrimination of minorities are impediments to human development in the region.

Filling a gap in the existing discourse on poverty in Muslim Mindanao, this paper employs the ethical frameworks of Thomas Pogge's rectificatory justice and Iris Marion Young's politics of difference to analyse how historical and institutional forces—specifically predatory political structures—have caused poverty in marginalised communities in the Bangsamoro region. Such causal factors are rooted in colonial history and are made manifest in the patronage system of governance that favours local bosses and results in clashes between powerful political clans. The study looks into the interrelationship of the power dynamics in the region as it seeks to address the problem of deprivation. Poverty cannot be described as a mere "lack of income" (Sen, 2000). It has a structural aspect in the sense that people are fettered by the reality of uneven socio-political and economic structures that are rooted in oppressive norms and practices (Young, 2002). Mindanao was exploited for its mineral resources and timber by the Americans (Gaspar, 2021). The Commonwealth Government of President Manuel Quezon failed to deliver equitable growth to the island (McCoy, 1988). President Quezon instead brought landless peasants from Luzon and Western Visayas to populate Mindanao during the 1920s up to the 1940s, displacing Muslims and Indigenous Peoples who previously occupied vast tracts of land.

In fact, a *World Bank Report* (2017) states that "Mindanao's comparative advantage lies in agriculture, yet its full potential is not being realized, mainly because productivity remains low." Post-conflict colonial development efforts in Mindanao failed to consider the root cause of the problem, which is the marginalisation of its people (Gaspar, 2021). The centralised government after the war was ~~all~~ focused on rebuilding Luzon (Abinales, 2000). According to Jonathan Malaya (2017, 217), the unitary system of government in the Philippines "concentrated political and economic power in the centre and thus, development was limited in areas close to Manila and stifled elsewhere." Politically, the central government in Manila chose to ignore the problem of political dynasties because these powerful clans served the interests of the elites in the capital (Hotchcroft & Rocamora, 2003). In the Bangsamoro, the state (State rather than state?) appears to have no clear-cut approach in terms of responding to the threat coming from the vested interests of rival political families. According to one participant in the FGD held in Cotabato City, "political clans want to control the politics because they benefit from it economically." In this sense, if the Bangsamoro[1] must emerge out of poverty, it must find a way

[1] The Bangsamoro or Muslim Mindanao is an area in the Southwestern part of the Philippines. The region covers 11,608 km^2 or 4% of the total land area of the Philippines. As of 2020, it has a population of 4,984,000. The Bangsamoro region consists of 5 provinces and 116 municipalities (See Philippine Statistics Authority, "Highlights of the BARMM Population Census," 2020).

to put an end to the rule of elitist politics and clan rivalries that often endanger the lives of the people and cause economic stagnation.

According to Francisco Lara Jr. (2015), the Bangsamoro "stands out for having he lowest levels of economic and human development in Mindanao and the rest of the Philippines." To understand the above, it is necessary to distinguish two types of causal factors. Pogge (2008) explains that there are "interactional" as well as "institutional" causal factors when it comes to the problem of poverty. On one hand, interactional reasons point to the actions of particular individuals that make them blameworthy. For instance, political warlords and dynasties make the lives of the people difficult as the former act like bosses who control the daily activities of the local population (Sidel, 1999). In such an unjust system, there exists a blatant abuse of power and corruption (Lingga, 2015). On the other hand, institutional factors are about economic rules, laws, and policies (Urbano, 2008). The political structure of the Philippines means that its national budget depends on the decisions of people in the capital, while its oligarchic economic system dictates the course of the country's future. Too little has been spent to improve the condition of Mindanao. This is a result of a centralized form of government (Malaya, 2017). While projects meant for local infrastructure and economic development have been given to places that are predominantly Christian, very little improvement can be seen in Muslim-dominated areas (Diaz, 2005). In addition, according to one FGD participant, "members of indigenous communities in the region have no say in the affairs of government."

In addressing the problem of economic as well as political exclusion, rebuilding the Bangsamoro requires institutional reforms. Young (1990) argues that the liberal concept of justice is limited as it only focuses on the redistribution of goods. If the structural problems are not addressed, then the resources will only fall into the hands of powerful politicians who are in control of the local economy. For Pogge (2007), people's natural rights must be guaranteed, and this includes securing for them the things that enable people to live decently. In this regard, state authorities must embrace a sense of "accountability" and "transparency" in the exercise of one's political power (Teehankee, 2022). Unless equitable systems are set in place to prevent political dynasties from abusing the electoral exercise and the conduct of government functions in the Bangsamoro region, any development effort would be ineffective (Teehankee & Agoho, 2023).

The Bangsamoro is considered an experimental step towards a federal state (Malaya, 2017). But, given that the same old influential power players are there, the experiment might only yield negative results. The approach of the Philippine Government should not be limited simply to addressing the socio-political question. Lara (2015) thinks that, aside from the reality of corruption, one needs to address "the serious infirmities of the formal institutions of the state and the loopholes of the state's social justice instruments." It is for this reason that Pogge and Young's frameworks are useful. Pogge argues for securing the basic rights of the people to emancipate them from deprivation, while Young's theory advocates for structural changes to ensure that positional hierarchies will not put people at a disadvantage. An inclusive approach to development will ensure the equitable redistribution of wealth within the Bangsamoro region.

2. Methodology

The methodology of this study seeks to merge the depth of philosophical analysis and the richness of human experience through the stories of people. Focus Group Discussions (FGDs) and content analysis were done to explain the structural nature of poverty in Muslim Mindanao. The researcher gathered primary data from the FGD participants to determine the prevailing sentiments, concerns, and behaviours of people (Charmaz, 2014). The questions asked were meant to determine the reality of poverty and the influence of the political dynamics within the Bangsamoro (see last page 17 for Appendix for the questions asked of the FGD participants). The first FGD, with nine (9) participants, was conducted in Koronadal City on November 12, 2023. The participants included a peace advocate, two academics, two members of Indigenous communities, two peace workers, and two students. The questions were structured in such a way as to draw in-depth discussions that generated meaningful insights from the participants (Charmaz, 2014). The recurring themes were human poverty and social discrimination, violence, including the psychological effects and economic impact of the many years of conflict in the Bangsamoro. A second FGD was conducted in Cotabato City on November 18, 2023. The seven (7) participants included an official of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), a religious peace advocate, two academics, two Non-Government Organisation officers, and a lawyer. They offered their sentiments on the political threats in the region that hamper human development, the prevalence of dynastic politics that prevent the creation of better socio-economic policies, and the need for dialogue to make peace sustainable and economic growth equitable. The participants argued that equal representation is crucial to attain sustainable peace and development. The insights of the two FGDs enabled the author to draw unique insights on the character of the underground economy in the Bangsamoro. Finally, a third FGD was conducted in Zamboanga City on January 14, 2024. This was necessary to get the views from the people who live in Tawi-Tawi, Jolo, and Basilan. The six participants included one each from the three island provinces mentioned, two academics, and a member of the Peace Panel who negotiated with the Government of the Republic of the Philippines. The participants of the third FGD expressed the threat from terrorist groups, which was not apparent in the first FGD. Terrorism impedes economic development as it discourages the creation of investments. As a result, poverty and conflict have become cyclical. The last FGD also revealed for the first time that ~~the~~ peace in the region looks superficial because of the presence of powerful politicians who continue to control the area. The participants in the FGDs were randomly chosen and the questions were designed to address the theme of poverty and power dynamics as the causal factors of poverty in the local area of study (Charmaz, 2014).

Hunt (2009) mentions the limitations of the interpretive or qualitative method, which can include the “potential bias” and “subjective interpretation of phenomena.” Unlike positivistic research methods that depend on statistical probabilities, the qualitative method of analysis can be prejudiced by human subjectivity. Nevertheless, the interpretive method can provide insights that quantitative data sometimes overlook. In this way, the FGDs were critical to giving a voice to the meaning and value of the experiences of the research participants, which provided the appropriate contexts in understanding the reality of poverty. The FGDs allowed the researcher to refine his theoretical framework based on the rich and illuminating inputs from the participants. The analysis of the data is anchored in the concept of structural justice developed by Young and the institutional causes of poverty as espoused by Pogge. The author analysed the insights from the participants to see if the theoretical frameworks of Young and Pogge resonate with the real experiences of the participants. Secondary data came from articles, books, and other materials that reveal a robust, evidence-based content analysis of the situation in the area (Charmaz, 2014). The literature came from local Filipino scholars who studied the Bangsamoro as well as the primary works of Pogge and Young. This investigation used two strategies: first, listening to the voice and sentiments of stakeholders and second, applying the framework of Pogge and Young in analysing the problem of poverty in the Bangsamoro. The investigator looked for emerging themes from the primary data, which was the key focus of the iterations in the paper. The study’s results were based on the original insights of the participants, who narrated their experiences that helped the author identify the important issues in this study. Ethical principles were followed in the conduct of this investigation. Furthermore, the key themes that emerged during the discussions include the reality of patronage politics, the influence of political dynasties, and the dynamics of an underground economy. These causal factors aligned with the theory of Young, who suggests that structural injustice is a result of the unequal position of people in society. Pogge's idea of negative duty also resonated with the participants. It appears that policies and laws favour the powerful and those who are influential, which means that the poor suffer from the harms caused by policies and institutions that are supposed to protect them. The FGDs provided a deep understanding of the participants' experiences in terms of the reality of poverty and deprivation, the political exclusion of individuals and groups, and their sentiments on Philippine society and politics. The FGDs encouraged the stakeholders to share their insights, feelings, and personal views in the spirit of open dialogue. The results from the FGDs were analysed rigorously.

3. Results and Discussions

3.1. How Exclusion Results to Clan Rivalries and Failed Peace Agreements

The present problems of Philippine society, especially here in Mindanao, are a result of its colonial history. One can judge it as a form of cultural imperialism, in which colonies are simply reduced to inferiors who succumb to the whims of their overlords. Even before the Spaniards came to the Philippines, Mindanao and Sulu already had flourishing trade relations with China and its neighbouring countries, with whom barter trade was a prominent means of economic exchange (Hernandez, 2003). With the arrival of Miguel Lopez de Legazpi in 1574, who established Manila as the capital, the Spaniards wanted to subjugate Mindanao, but its Muslim rulers resisted many attempts (Jubair, 2007). The subordination of Muslim chieftains in the other parts of the country allowed the Spanish friars to administer the Philippine archipelago through a centralised form of government. They imposed the *encomienda* system that enabled those who were favoured by the Spanish authorities to attain an elite status in Philippine society (Cullinane, 2009). When the Spaniards left the country, the *haciendas* (large plantations) were handed over to the relatives and cohorts of friars, including the members of the *ilustrados* (rich, influential, and educated Filipinos) who held positions in government. In post-colonial society, local politicians were able to perpetuate themselves in power because they are better connected (Coronel et al., 2004).

Ideally, it is necessary to build the basic structure from the ground up. For Young (1990), this means giving people a real voice. The exclusionary approach to Mindanao had a tremendous social and economic impact. President Quezon, for instance, simply reduced the whole of Mindanao into a rich source of votes (Hotchcroft & Rocamora, 2003). The policies of the Commonwealth Government resulted in the marginalisation of Indigenous Peoples and Muslim Filipinos (McCoy, 2009; Gaspar, 2021). For Young (2002), when people are forced into the margins, they are actually stripped of their rights. In the Philippines, this happened because rich Filipino politicians simply became the new elites in the post-colonial society. The political as well as economic elites in the country control the affairs of the government. For Young (1990), such a situation reinforces the positional injustice in the social hierarchy. Those in a position of power abuse their authority because of the weakness of institutions. Politicians serve their interests and those of their patrons instead of the public. This is made manifest by the fact that corrupt public officials make a lot of money while in office. Basically, the people do not know what to do in order to change their situation because they have become victims of political machinations. The participants in the FGD, for instance, expressed the fact that they do not have the means or the motivation to seek remedy whenever they feel that their rights have been threatened: "People do not have any means nor any access to the courts nor to the local councils which makes it difficult for them to overcome their day-to-day problems." – Source for this quotation?

The perception that Mindanao is a place of violent conflict is nothing but an orthodoxy or bias (Abinales, 2000). In fact, there was a parallel state-building in Mindanao during the time of the Spanish conquest, although efforts to govern the Philippines were concentrated in the capital (Abinales, 2010). Muslims, Indigenous Peoples, and Christians have lived among themselves. There was even a process of intermarriage in places such as Marawi and Iligan (Yoshizawa & Kusaka, 2020). However, the prevailing clannish structure already existed in the Bangsamoro from the very start (McKenna, 1998). This often resulted in clashes between clans in what is called *rido,* or the practice of seeking justice through revenge. Often violent, this happens when a member of one clan is offended by another (Kreutzer, 2005).

From a historical vantage point, it was during the regime of President Ferdinand Marcos Sr. that Filipino Muslims first felt the resentment against the National Government in Manila when young Moro soldiers were massacred by their Filipino counterparts in what was known as the Jabidah Massacre (Gloria, 2014). Reports had suggested, first revealed by then Sen. Benigno Aquino Jr., that the Moro soldiers complained about the non-release of their allowance. This resulted in~~to~~ a mutiny (Jubair, 2007; Gloria, 2014). The Jabidah massacre, which occurred in Bataan, galvanized the resentment of the Moro people against the Philippine state (McKenna, 1998; Teehankee & Agoho, 2023). This would result into the Muslim insurgency in Mindanao that has claimed more than a hundred thousand lives (Jubair, 2007).

Nur Misuari, then a young instructor at the University of the Philippines, founded the Moro National Liberation Front (MNLF), a Muslim separatist movement, in 1972 (Gloria, 2014). The MNLF burned Jolo, Sulu in 1974, considered to be the first major military confrontation between Muslim rebels and the Philippine Government (Jubair, 2007). The event forced the hand of President Marcos to negotiate with the separatist group, which resulted in signing of the Tripoli Agreement in 1976, meant to allow autonomous rule in Muslim Mindanao, while maintaining the country's territorial integrity (McKenna, 1998). But the Tripoli Agreement was never implemented by Marcos (Gloria, 2014). When President Corazon Aquino took power, she wanted to broker a new peace agreement with the Muslim rebels, although this was complicated by the situation of quarrelling clans and local elites. Clannish politics became an impediment to peace and progress in the Bangsamoro. One FGD participant mentioned that clashes between clans often result in murder. In fact, while doing our investigation in Cotabato City, a community leader of a local politician was shot on the road. This incident was revealed to us by one of our informants. Peter Kreutzer writes (2005):

> The social order in Muslim Mindanao is characterized above all else by a juxtaposition of rival clans. Thinking in the categories of the clan and the associated code of honor result, in the institutional context of the Philippine electoral democracy, in highly violence-oriented political debates, which reach their highpoints directly before and after elections. Although the paraphernalia of democratic elections is widely fulfilled – emotional electoral battles, electoral advertising everywhere, a multitude of events and the common rhetorical exchange of blows between political rivals – politics in this region is to a very great extent a purely intra-elitist event between rival clans.

The rivalries and infighting among elite Muslim political clans meant that the security situation in the Bangsamoro region is a product of concessions given by a National Government that was eager to implement a peace process to power brokers who want to maintain their vested interests (Kreutzer, 2005). Macapundo Muslim (1994) believes that the idea of devolution paved the way for protracted conflicts in the region. President Corazon Aquino, who subsequently negotiated a peace deal with the Muslim rebels, wanted to institutionalise the devolution of power by means of a new law, the Local Government Code of 1991, even before a peace agreement had been signed (Lara, 2015). This proved to be a mistake. Misuari wanted no less than the implementation of the 1976 Tripoli Agreement, which contained a contested provision that made 13 provinces a part of the proposed autonomous region (Gloria, 2014). However, the organic law passed by the Philippine Congress in 1989 only included four provinces. President Aquino, therefore, failed to appease the Muslim insurgents (Lara, 2015). Finally, it was President Fidel Ramos who was able to negotiate a peace deal with the MNLF in 1996, which gave birth to the Autonomous Region in Muslim Mindanao (ARMM). The ARMM largely failed to improve the situation of Muslim Filipinos. The reason was due to a failure of governance. Corruption was rampant (Laut et al., 2015).

The Moro Islamic Liberation Front (MILF), a faction of the MNLF that broke away in 1977, negotiated with the Philippine Government in 1997. They rejected the 1996 Peace Agreement and demanded a Bangsamoro Islamic State (Kreutzer, 2005). The MILF started recruiting more members to strengthen its force. What broke the camel's back was when they attacked the town of Kauswagan in Lanao del Norte in March 2000 and held hostage 329 civilians, who were later rescued (Schiavo-Campo & Judd, 2005). President Joseph Estrada at the time held a hardline stance and directed the Armed Forces of the Philippines (AFP) to implement a policy of "all-out war" against the rebel group (Schiavo-Campo & Judd, 2005). The Philippine government asserted dominance against the secessionist group by capturing Camp Abubakar, which Estrada visited after its surrender in early July 2000. The all-out war resulted in more than a hundred military casualties, 750,000 displaced residents, and more than a thousand dead bodies on the side of the MILF (Asia Foundation, 2017). Criminal cases were filed against MILF leaders but President Estrada would later order that the same be withdrawn in order to lure the MILF back into the negotiating table. The all-out war resulted in economic decline in the Bangsamoro (Lara, 2015).

During the administration of President Benigno Aquino III (2010-16), the MILF and the Government of the Republic of the Philippines signed a Peace Agreement in 2014 that paved the way for the establishment of the Bangsamoro Autonomous Region in Muslim Mindanao (Lara, 2015). This was an offshoot of concessions and efforts by various sectors after the MOA-AD (Memorandum Agreement on Ancestral Domain), an agreement reached in 2008 by the MILF and the government under President Gloria Macapagal Arroyo (2001-10) that would establish the Bangsamoro Juridical Entity, was scuttled. The MOA-AD was ultimately rejected and declared unconstitutional by the Philippine Supreme Court, voting 8-7, because it failed to follow the consultative process that was stipulated in the original peace agreement. Various sectors opposed the MOA-AD, fearing that the same might result to an independent Muslim State.

One participant in the FGD in Zamboanga City manifested the sentiment that "peace is superficial because Muslim Mindanao has remained alienated from meaningful progress." The same participant said that "the same politics and the same politicians are there. There is corruption too." Malaya (2017) nevertheless insists that "the problem is the highly-centralised form of government and the solution is the adoption of a federal system." What Malaya is proposing, a position that transpired during the administration of President Rodrigo Duterte, is a type of power-sharing between the National Government and the proposed regions in a federal system. But the charter reform agenda during the time of President Duterte never pushed through because lawmakers wanted to do away with term limits that have been put in place in the 1987 Constitution. In fact, it is also clear that political clans do not want any structural change because they would naturally lose their predatory control of the local economy. According to John Sidel (1999), politicians as local bosses act in cahoots with rich businessmen in monopolizing the economy. In the Bangsamoro, what this means is that local politicians behave as overlords who dictate and control the lives of the people. This type of patronage politics is destructive since it stifles economic competition as well.

3.2. How the Power Dynamics and Political Influence Cause Poverty

Culturally, there exists a prejudice against the Muslim Filipino, who is wrongly judged as violent. In addition, the members of indigenous tribes in the Philippines are labelled ignorant by the dominant majority (Maboloc, 2024). Young (1990) points to the reality of structural injustice, which does not only undermine the freedoms of people, but also tramples their dignity by denying them their basic rights and depriving them of socio-economic opportunities. The FGDs reveal the presence of such type of injustice that still prevails in the Philippines, with damaging results in the lives of Muslim Filipinos and Indigenous Peoples, who are denied the ability to realize their full potential in the Philippine societal culture. In one of the FGDs, a participant said that “other students look down upon us since we belong to the IP (Indigenous Peoples) communities.” This is a consequence of a colonial system in which people are being perceived as inferior by their fellow human beings. This type of bias is what cultural imperialism is about (Young, 1990; Maboloc, 2022). In fact, the respect that Muslim Filipinos demand is a matter of human right, a claim cannot be subordinated to any other claim (Pogge, 2008).

Collste (2015) says that locals are usually left in disarray by their colonial masters. As a result, people are detached from their identity as they are forced into the lifestyle of their foreign rulers. There is, in this sense, an erosion of cultural values. The bigger issue is that those who belong to high culture actually impose their will on those in the margins, thereby creating some sort of a moral divide. In the case of the Philippines, this is apparent in the “Manila versus Mindanao” and “Bisaya versus Tagalog” type of social division (Maboloc, 2017). Mindanao, in fact, has been viewed as the nexus of conflict and poverty. One of the reasons for this is the existence of illegal activities in the underground or shadow economy, including smuggling, narcotics, and other types of business that are led by syndicates (Lara, 2015). According to Lara (2015), these local criminal groups pay protection money to powerful political clans and the police. For instance, 12 municipalities in Lanao del Sur alone are involved in the business of illegal drugs (Muslim, 1999). The consequences of the illegal drug trade are well documented. The same results in communal decay and the rise of crimes. The illegal drug activities in the Bangsamoro contributes to the inability of the people to achieve real progress (Muslim, 1999).

From a global perspective, trade policies and barriers affect the economies of developing countries who cannot compete with affluent countries. Rich countries have the resources, power, and influence to control global trade. For Pogge (2007), such policies harm the poor. In our current situation, this is apparent in the new trade policies of US President Donald Trump, whose trade war is feared to cause a global recession. Philippine officials, however, downplayed such prognosis despite the fact that the US is imposing a 10% uniform tariff rate for all countries. According to Ryan Urbano (2008), Pogge wanted to extend the Rawlsian concept of distributive justice to the global arena. But the domestic scene is also problematic. Internal structural issues like weak government systems in healthcare and education also hound developing countries. In the Bangsamoro, local conflicts between political clans also affect the people. Lara (2015) thinks that it is the underground economy that finances the illegal activities of big political clans. The reason is that they are using their positions to control the people and as a result, make state policies ineffective (Sidel, 1999).

The FGD in Cotabato City reveals that politics is being used to influence the economy of the Bangsamoro, with politicians and their family controlling the businesses in the region. According to one FGD participant, “politicians monopolize the distribution of commercial goods and basic commodities like rice and other agricultural products.” Upon analysis, this means that there is no market competition. The absence of the other options for both consumers implies that they are schemed by those who control the market. Many of the goods found in the market are also substandard. In addition, workers do not get to be paid the minimum wage. The problem is of course due to the lack of enforcement on the part of the authorities. As a result, the Bangsamoro is the poorest region in the entire Philippines. Such is a consequence of the social and political dynamics in the region. Data from the Philippine Statistics Authority (PSA) show that the Bangsamoro has the highest poverty incidence in the country based on the available records from 2018, 2021, and 2023 (Figure 1).

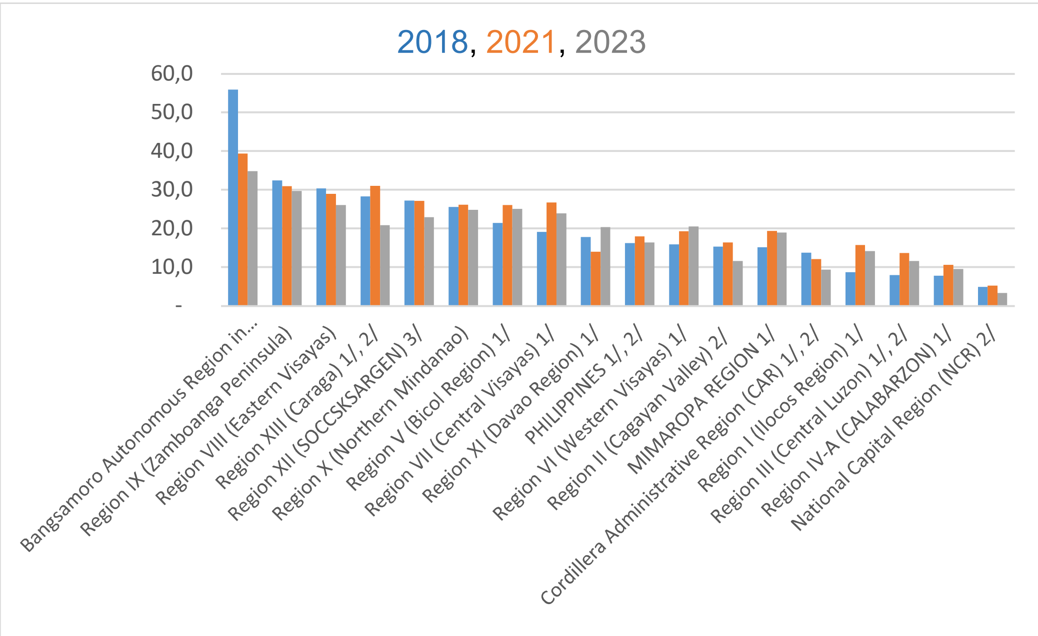

Figure 1. Poverty Incidence among Families, per Region (Source: PSA’s Preliminary, 2023)

A *World Bank Report* (2007) buttresses the above information, suggesting that “poverty is highest in conflict-affected areas. ARMM has the highest poverty incidence (59-18 % points higher than Mindanao as a whole). Municipal poverty incidence deteriorated in ARMM between 2003 and 2012, and is correlated with the incidence of rido, inter-clan feuds.” According to Pogge (2008), poverty is an “absolute evil” and for this reason, “poverty is a disease.” According to Lara (2015), “the origins of Mindanao’s informal economy can be traced to the nature of colonial state transition and transformation from Spanish to American, and from American to Commonwealth rule.” In particular, the Americans presented themselves as distinct from the Spanish regime. They imposed taxation and rules for land ownership. Lara (2015) says that “the

US colonial government changed the country's fiscal and trade policies, placing landholdings under taxation and releasing restrictions on imports."

The passage and implementation of the Bangsamoro Organic Law (BOL) in 2021 was seen as crucial for the development of Muslim Mindanao. Notably, with the implementation of the BOL, the rate of poverty incidence in the Bangsamoro will show a downward trend – from more than half of all the families in BARMM considered poor in 2018 (pre-BARMM) to merely a third of all the Bangsamoro families considered poor by 2023 (Table 2) The improvement in the income levels of families can be attributed to the resources being funneled into the region. Lara (2015) notes that the cycle of "bust and boom" are a result of intermittent conflicts. For instance, during Estrada's "all-out-war," money went into the Bangsamoro in the form of aid. But this type of progress is not sustainable and hides the evils of war. The BOL, meanwhile, empowers the local governments in the region to plan development projects and programs, control the way resources are budgeted and enable local entrepreneurs to put up business establishments and create employment opportunities. The same rests, of course, in the idea of good governance and empowering communities for them to enjoy the benefits of development and democracy. Such can only be grounded in the idea of inclusion and equal representation. While there is an improvement in family incomes in the Bangsamoro, the same is not much. Families are still in a precarious condition, especially with the unstable peace and order situation in the region because of election-related violence involving rival politicians.

Table 1. PSA's data on Poverty Incidence in BARMM

Year	Per Capita Poverty Threshold in PhP	Poverty Incidence among Families in BARMM Estimates (%)
2018	P13,599 ($238.5)	55.90%
2021	P14,126 ($247.8)	39.41%
2023	P15,179 ($266.3)	34.84%

Source: Philippine Statistics Authority (2023)

The Bangsamoro Region or BARMM has the lowest HDI scores in the Philippines from 2019-2022 (Table 2). The reason for this is the lack of political stability in the region. For the longest time, the image of Mindanao is that it is a war-torn area. The stories of beheadings by the Abu Sayyaf are prominent mass media stories that have defined the biases of people against Mindanao. As a result, the Bangsamoro region lacks enough opportunities to be able to provide good jobs to its inhabitants. In this way, some participants in the FGD in Zamboanga City believe that young men are lured into joining extremist groups, especially in the island provinces like Basilan and Sulu where members of the Abu Sayyaf remain. According to one participant, "the elders also encourage the young to join meetings that indoctrinate the latter." This reality is a perennial threat to human security and well-being.

Politically, the reason for the difficult lives of the people is that cunning politicians control them (Teehankee, 2022). The repercussions are aplenty, including a high poverty incidence due to corruption, poor health, and the lack of access to good education. Young (1990) says that oppression results to the inability of a person to fully develop or even a society to flourish. Des Gasper (2004) identifies violence as one of the obstacles of human development. In the case of the Bangsamoro, the reality of power struggles between clans and political families contributes to the slow economic growth in the region. For instance, in the municipality of Buldon, Maguindanao, the local clan enjoys a sense of impunity (Lara 2015). In such a situation, the "rulers extend their legitimacy purely through their ability to inflict violence" (Lara 2015). Kreutzer (2005) says that "state rule in Muslim Mindanao depends on the use of violence." Lara

(2015) adds that, "traditional legal authority and other political institutions are almost annihilated."

Table 2. Human Development Index Philippines (By Region)

REGION	2019	2020	2021	2022
BARMM	0.611	0.610	0.606	0.629
Cordillera Region	0.740	0.732	0.719	0.738
I – Ilocos	0/740	0.732	0.719	0.738
II – Cagayan Valley	0.710	0.705	0.697	0.718
III – Central Luzon	0. 729	0.720	0.707	0.725
IV-A - CALABARZON	0.734	0.723	0.708	0.723
IV-B – MIMAROPA	0.691	0.685	0.674	0.694
National Capital Region	0.765	0.750	0.731	0.743
V – Bicol	0.686	0.677	0.663	0.680
VI - Western Visayas	0.697	0.695	0.689	0.713
VII - Central Visayas	0.700	0.691	0.677	0. 694
VIII - Eastern Visayas	0.698	0.690	0.678	0.696
IX – Zamboanga	0.681	0.671	0.658	0.674
X - Northern Mindanao	0.704	0.699	0.690	0.712
XI - Davao Region	0.704	0.698	0.688	0.708
XII - SOCCSKSARGEN	0.674	0.670	0.662	0.684
XIII – CARAGA	0.708	0.700	0.690	0.710

Source: Global Date Lab (2025).

The FGDs suggest that human destitution is due to powerlessness. Understanding poverty in this way is not just about advancing the rights of the poor. It is largely dependent on authentic democratic processes. One participant in the FGD held in Cotabato City says that "IPs lack representation in the Bangsamoro Transition Authority (the interim government in the BARMM)." Young (1990) suggests that unjust structures result to institutional failures. The poverty in the Bangsamoro, it can be argued, is not just because of the lack of autonomy of the people. It is actually rooted in an underground economic system in which power, money, and political influence make a mockery of democratic processes and as a result, the many people have remained poor. To explain this point, Lara (2015) mentions that President Ferdinand Marcos gave money and guns to political clans in the Bangsamoro, specifically the Dimaporos during the 70s, who used the same as an instrument to sustain their illegal business activities.

According to Lara (2015), the first warlord of Muslim Mindanao was Governor Datu Ali Dimaporo, who was the governor of Lanao del Sur from 1976-1986 (Lara, 2015). Dimaporo shaped the power dynamics of the region. Under President Marcos, Dimaporo delivered huge votes for the national coalition in exchange for concessions and weapons, which allowed him to continue his illicit activities, including smuggling, gun running, and illegal logging (Lara 2015). Dimaporo used the idea of Christian and Muslim conflict to advance his own personal interests (Lara, 2015). The "divide and conquer" principle enabled Dimaporo to maintain his total grip on power. When President Marcos was deposed, he intensified his attacks against his perceived enemies and killed their relatives to continue to project that he was still in control (Lara, 2015). During the time of President Marcos, he brokered arrangements for the late dictator. In exchange, he received funds for infrastructure projects, which became his main source of kickbacks.

Political clans also used the concept of modernisation (Lara, 2015). But the same is actually a cover-up for their real intent, which is corruption. Politicians get large kickbacks from projects (Laut et al., 2015). Decentralisation has been emphasised as the way forward to advance the economic development in Muslim Mindanao. However, while there has been continuous mass education, the region does not seem to get out of its difficult situation, despite billions of pesos being poured in terms of development aid. The reason is that the power dynamics in the Bangsamoro indicates the clans and political families are the ones who dictate the economic system in the region (Teehankee & Agoho, 2023). Governor Dimaporo, for instance, "ruled over a vast portion of Mindanao without the benefit of a regional administrative vehicle, building his political alliances by offering a link to national political elites" (Lara, 2015).

The predatory nature of the system works in a silent way (Sidel, 1999). The abuses by political clans and dynasties are hidden from the purview of civil society. Subtle ways of control and domination happen by means of bribery and various illegal activities that provide the local population with a source of income. As a result, the electorate appears to depend on political clans and families for protection (Lara, 2015). Young's (1990) concept of structural injustice captures how systems put people at a disadvantage. In the Bangsamoro, powerful politicians and families rule with impunity in their acts of abusing power and self-aggrandisement. For instance, Lara (2015) mentions that the Ampatuan clan "compelled other clans to negotiate alliances and arrangements with them, subjecting other strongmen and their clans to the dictates and authority of the Ampatuan clan in the resolution of inter and intra-clan violence." The perpetuation of political dynasties is one of the main reasons why the Philippines is a basket case of democracy (Teehankee, 2016).

3.3. How Political Party Building can Level the Playing Field

On April 15, 2025, some areas in the Bangsamoro have been placed under the control of the Commission on Elections due to election-related violence. The same is reflective of the fact that some groups continue to use violence against their political enemies or threaten voters who do not support a particular candidate. The FGD in Cotabato City reveals that power play still epitomises the nature of the state in the Bangsamoro region, which is in danger of being put into the same cycle of violent conflicts if the government is not careful with its moves in the forthcoming 2025 Bangsamoro Parliamentary elections. One participant in the FGD share the sentiment that "the MILF might go back into their armed struggle if influential clans take control of the BARMM." The promise of peace and equitable growth can die if traditional politics once again get in the way of the peace-building initiatives. This threat comes from political clans and dynasties, which can put their people into positions of power in the BARMM Parliament. Clans have become power brokers and mediators for national politicians who are greedy for power.

One of the approaches to realise human development in the Bangsamoro is by means of building political parties (Agoho & Teehankee, 2023). Political parties are seen as an alternative to political clans (Malaya, 2017). These parties are to be established from the ground up and will be developed on the basis of democratic principles and programs (Teehankee, 2022). In a way, real political parties give voice to the electorate and allow them to choose party candidates based on competence and good leadership qualities. While the same is ideal, it does not, however, have the force or strength to stop powerful dynasties from sabotaging the whole process. This is because the problem is not just about finding people who can run for office. It is about the political culture in the region. Since people remain economically dependent on political clans, the greed of powerful families will ultimately influence any electoral exercise. For instance, traditional politicians finance the electoral campaigns of village officials to get their loyalty.

One of the biggest problems in Muslim Mindanao is that political families have their own private armies (Kreutzer, 2005). While there were efforts in the past to dismantle these militias, the same have persisted through the years. These groups are used by political warlords to secure perpetual power and, in the process, undermine the freedom of people and their opportunity to rise above the pangs of poverty. The FGD in Zamboanga City notes that "any progressive dialogue on development should focus into providing the needs of the people, including basic security against the threat of violence." Political dynasties kill the economic as well as the political competition in the Bangsamoro. Powerful political clans such as the Ampatuans, Sinsuats, Mangundadatus, Dimaporos, among others, have been in power for decades. They control the local economy through proxies in whose names their businesses are registered. Julio Teehankee (2016) thinks that political dynasties are part of a corrupt system of politics in the Philippines where 72 out of the 81 provinces are dominated by powerful political families.

The Bangsamoro is poor because a feudal type of economy that still exists. In this regard, ordinary people are simply left behind in terms of the requirements for a decent and meaningful life. According to Benedict Bacani (2024), state building in the Bangsamoro should involve all people and not just two political parties. The National Government must provide opportunities for Muslim Mindanao to enjoy real autonomy. At present, the financial assistance program by the present Marcos government is nothing but a means of manipulating the poor masses in the region into voting for the candidates favoured by the administration in its desire to maintain its grip on power. Respecting the rights of people should be apparent in the building and empowerment of state institutions. Ordinary citizens must be allowed to voice their opinion and dissent on matters that have a direct impact on their well-being through their political parties. It is a question of choice and giving Muslim Filipinos their authentic autonomy by empowering them. This will require putting an end to the influence of political clans by means of building just and enforceable legal mechanisms.

Correcting the uneven structures in society is critical to democracy. The Muslim sultanates in the Bangsamoro before understand the sophisticated nature of governance (Gamas et al., 2017). It is the reason why they also had their laws and customs in the practice of governance. The same appears to have been distorted by the experience of colonialism. Colonialism simply made the state predatory. The nature of politics must be rectified. Progress can be incremental, according to Bacani (2024), but the same is nevertheless important. Reforms can be done by means of the establishment of principle-based grassroots political parties (Teehankee, 2022). Program-based politics should replace the predatory nature of money politics. Basic security is critical. With law and order, the region can attain an equitable type of growth. The inability of the Bangsamoro Government to expand the region's economy can have dire consequences. Without jobs, young Moros will be tempted by the lure of money offered by kidnap-for-ransom groups. Development means jobs for the people and food on their table (Rasul, 2007). Levelling the playing field requires dismantling the mafia-like grip of political power players in the local economy so that the people can have real options in the type of leaders they desire and the kind of government that they truly deserve.

4. Conclusion

The ethical frameworks of Pogge and Young are important when it comes to poverty and development issues. Both share the same framework with respect to the institutional approach to the problem of poverty. Injustices are also a result of structural issues. Correcting the same requires dismantling unjust systems and empowering people through laws and policy reforms. Muslim Mindanao had been excluded from the development agenda for the longest time and for this reason, it had been left behind in education, health care, and infrastructure. The absence of opportunities in the region came about because the necessary implements for economic growth and social development were largely absent. Clannish politics, *rido*, and crimes impede economic progress. Muslim Filipinos did not have the same opportunity for growth and professional advancement compared to the Christian majority. They had been wrongly labeled as violent and as a result, are unable to find meaningful employment.

The technical interpretation with respect to the problem of poverty has something to do with the lack of input and the inability of the economy to adjust to changing global trends. But beyond this technical explanation that suggests the backwardness of Muslim Mindanao, the poverty in the region is due to powerful clans that influence the power dynamics and political outcomes in the region. Meaningful autonomy is difficult to achieve because of the presence of political dynasties that control elections and as a consequence, undermine the choices and ultimately, the lives of ordinary people. The predatory nature of politics in Muslim Mindanao means that money, intimidation, and violence, have dictated the outcomes of political exercises and ergo, the situation of the polity. Such factors, both historical and structural in nature, can have a devastating impact on the lives of people who are forced into perpetual poverty.

The politics practised by Governor Ali Dimaporo exemplify the above claim. The Manila-centric approach in Philippine politics that concentrates development in the capital has isolated Muslim Filipinos. But it can be argued that, given the power dynamics in the country, the greatest risk in the Bangsamoro is the threat of political clans and families hijacking any type of progress brought about by the peace-building initiatives. In this way, structural reforms through political party building are critical. Ordinary people must be empowered in the Bangsamoro. Both Young and Pogge advocate for authentic democratic representation, which should come by means of inclusive policies that guarantee the basic human rights of the people. In this sense, there must be a levelling of the playing field in terms of the political choices and the economic opportunities of the people in the region if the power dynamics must be changed.

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Appendix: FGD Questions

1. Do you know the role of the Bangsamoro government in terms of poverty alleviation?
2. What kind of programs does the Bangsamoro have to address poverty?
3. Have these programs or projects reached your community?
4. What do you think are the reasons why people are poor?
5. Do you know of influential politicians or political clans in your city or municipality?
6. What type of risks do they have in terms of the welfare of people?
7. Do you feel included in terms of the programs and projects of the government?
8. How are you treated as a Muslim or as an Indigenous Person in your place of work or school?
9. What are the difficulties that you have experienced as a Muslim or as an Indigenous Person?
10. Are there threats in your communities in terms of human security?
11. What are these threats, if any?
12. What are your aspirations for the Bangsamoro as a region in terms of human development?
13. What is your concept of peace?
14. What are the threats to peacebuilding in your community? In the Bangsamoro?
15. Do you feel that the Bangsamoro government is able to redistribute resources to all sectors in the Bangsamoro?
16. Do you think that there are good laws and right policies in the Bangsamoro that can help address the problem of poverty?
17. What do you think are the present dangers in the Bangsamoro region?
18. Do you feel that some sectors or people in the Bangsamoro are excluded in terms of the governance of the Bangsamoro?
19. What types of reforms do you think are needed in the Bangsamoro government?
20. Do you think these reforms can translate to the realisation of the goals of the Bangsamoro government in the pursuit of peace and harmony in society?

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Research Paper

Logging in: Dismantling the Dark Web of Africa's Timber Industry

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Abstract: Timber is one of Africa's most valuable natural resources and has long played a vital role in shaping local economies. In recent decades, however, the continent's forests have become deeply entangled in the global illegal timber trade, which is estimated to be worth up to $157 billion annually. As international demand for tropical timber has grown, so too has the scale of unlawful harvesting and export across Africa. This paper explores how Africa has become a key supplier of unprocessed timber to global markets. Despite efforts to promote legal and sustainable logging, enforcement has been inconsistent and easily undermined. Corruption, regulatory gaps, and a general lack of political resolve have allowed illegal operators to move timber with minimal resistance. These conditions have weakened conservation efforts and facilitated illicit financial flows. The paper analyses the actors involved in the illegal trade and the reasons behind its persistence. It concludes by outlining practical reforms aimed at improving transparency and reducing harm to both people and forests.

Keywords:

1. Timber
2. Logging
3. Rosewood
4. Africa
5. Forests

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1. Introduction

1.1. Illegal Logging and IFFs

Long before modern materials shaped our cities and lifestyles, timber was the cornerstone of human civilization. It kept us warm, sheltered our communities, and facilitated the transport of our goods. The abundance and versatility of timber made it the go-to material for just about everything. And in many ways, it still is. However, as global demand increased with international trade and industrialization, it also became one of the most exploited natural resources.

Timber is now tied to one of the most profitable forms of organized crime. Illegal logging involves the cutting, transporting, and selling of timber in violation of national laws (Brack & Hayman, 2001, p. 5). It is not just a threat to forests but also a major source of illicit financial flows (IFFs)— an expression that refers to the movement of money that is illegal in its origin, transfer, or use (UNCTAD, 2020, p. 5). IFFs do not only drain public revenue, but they also worsen inequalities, fuel instability, and erode public trust. Due to their hidden nature, these flows are difficult to measure not only because of challenges in collecting reliable data, but also due to the complexities in defining what constitutes an illicit financial flow (UNCTAD & UNODC, 2022, p. 9). Even so, estimates place the global value of illegal logging between US$51 billion and US$157 billion per year, making it the third largest transnational crime after drug trafficking and counterfeiting (GFI, 2017, p. 99).

Given the scale of the problem, illegal logging receives comparatively little political or public attention. It often operates behind legal facades and with official complicity—much like parts of the drug trade, such as the legal prescription of opioids. Yet, governments that routinely launch billion-dollar crackdowns on narcotics are far less inclined to police a trade like illegal logging. There are no dramatic police raids nor political speeches declaring war on the perpetrators. Instead, the illegal timber quietly blends into legal markets, hidden behind fake permits, bribed officials, and front companies.

1.2. A Focus on Africa

Africa has long been a target of natural resource exploitation. For over a century, foreign entities have benefitted from the extraction of raw materials such as gold, diamonds, and oil. In recent decades, forests in Sub-Saharan Africa have increasingly come under threat from illegal timber harvesting.[1]

This paper looks at how the continent became a key player in the illegal timber trade. It breaks down how the industry works, who profits from it, and why it's so difficult to stop. The essay begins with a brief overview of the modern history of the timber trade in Africa and examines the shift in demand from Europe to Asia. The next section provides an overview of the scale and scope of illegal logging across the continent. This is followed by an analysis of the industry's operations, including its key players and mechanisms. Using case studies, the next sections address the impacts of the illegal timber trade and why it persists. The paper concludes with recommendations for reform and identifies who should be responsible for implementing them.

2. A Brief History of Africa's Timber Trade

2.1. From Europe to Asia

Like many of Africa's natural resources, the timber trade came under European control during the colonial period. This structure was formalized at the Berlin Conference of 1884–1885, where Western powers divided the continent in pursuit of land and raw materials (Yahaya, 2023). Under colonial rule, forest concessions were handed over to European companies (World Rainforest Movement, 2022).[2] The profits generated from the timber operations were then sent back to Europe, leaving local communities with little in return. Even after many African nations gained independence in the 1960s, the extractive economic models largely persisted, with many of the same European companies continuing to operate under concessions inherited by the new

[1] Tina Butler (2005, 20 April). "Timber Hungry China Moves into Africa." Mongabay. https://news.mongabay.com/2005/04/timber-hungry-china-moves-into-africa/Mongabay+7

[2] Forest concessions are legal agreements to extract timber and manage specific public forest areas

governments.[3] As a result, Africa remained trapped in a cycle where it exported raw timber at low prices while often importing finished wood products at a higher cost.[4]

The trade routes established during colonial rule secured Europe's position as the primary destination for African timber well into the post-independence period. This dynamic began to change in the late twentieth century, when economic crises and structural adjustment programs steered forestry policies toward industrial exports. In the process, many small-scale loggers were pushed out of the formal sector. The informal timber trade increasingly operated without oversight, and this caused a rise in illegal activity across the supply chain.[5] Around the same time, environmental concerns about logging that had been growing steadily in the global north began to attract serious political attention.[6]

Efforts to address the global illegal timber trade reached a turning point at the 2002 World Summit on Sustainable Development held in Johannesburg, South Africa. In his address to delegates, European Commissioner Poul Nielson called on wood-consuming countries to take responsibility for their role in the illegal timber trade and urged Europe to show leadership in the fight against illegal logging (Ottitsch et al., 2007, p. 21).

The summit helped accelerate the development of the EU Action Plan for Forest Law Enforcement, Governance, and Trade (FLEGT), which was formally adopted by all member states in 2003. The aim of this initiative was to reduce illegal logging by promoting sustainable forest management and improving governance in producer countries (Hadiprasetya & Kim, 2022). At the heart of the action plan was the introduction of the Voluntary Partnership Agreement (VPA). This bilateral trade agreement between the European Union and timber-exporting countries helped ensure that only legally sourced timber made its way into the European market (European Court of Auditors, 2015). These safeguards were further strengthened in 2013 with the introduction of the EU Timber Regulation, which barred the import of any timber without verifiable legal origins (Kim et al., 2023).

Despite negotiating and signing the VPAs, many African countries had problems with implementation. Corruption, limited awareness in the private sector, and the high cost of compliance made the rollout of VPAs inconsistent and often difficult (Carodenuto & Ramčilović-Suominen, 2014). Studies also show that in countries like Cameroon and the Central African Republic, weak legal enforcement and political instability further slowed progress, despite the VPAs' potential to strengthen governance and promote legal timber trade (Adams et al., 2020).

For European timber companies operating in Africa, the new regulations only added to a long list of challenges. In 2018, Rougier—a major French timber company that had been operating in Central Africa for nearly a century—declared bankruptcy. Among the reasons cited were chronic port congestion in Douala, Cameroon; long delays in VAT reimbursements from African governments; and the increasing scarcity of high-value tree species. The company's inability to adapt by diversifying products or utilizing lesser-known species further contributed to its decline.[7] Other companies, including the Dutch-owned Wijma Cameroon Group and Italy's

[3] Paolo Omar Cerutti, Thiago Kanashiro Uehara, & Jon Wallace (2023, 18 May). "Deforestation in Africa: Where, Why, and What Can Be Done?" *Chatham House*. https://www.chathamhouse.org/2023/05/deforestation-africa
[4] FAO (1965). "Timber trends and prospects in Africa." https://www.fao.org/4/24755e/24755e05.htm
[5] Paolo Omar Cerutti, Robert Nasi, & Joan Baxter (2015, 3 February). "Once 'Invisible,' Africa's Domestic Loggers Come into the Light." CIFOR-ICRAF Forests News. https://forestsnews.cifor.org/26637/africa-artisanal-domestic-logging-timber-vpa-flegt
[6] The G8 Action Programme on Forests was introduced in 1998 and listed illegal logging among its five main priorities.
[7] Alain Karsenty (2018, 1 August). "The Crisis in the European Tropical Timber Sector in Central Africa (Commentary)." Mongabay. https://news.mongabay.com/2018/08/the-crisis-in-the-european-tropical-timber-sector-in-central-africa-commentary/

Cora Wood SA, were forced to sell assets as rising costs, and mounting debt made it increasingly difficult to do business in the region (Karsenty & Ferron, 2017).

In the ten years after the EUTR took effect, Africa's timber exports to Europe fell by more than 50%.[8] The new rules certainly played a role in this decline, but a bigger shift was already underway. By the time Europe tightened its regulations, Asian buyers had established a strong presence in Africa's timber industry. Decades of logging had depleted valuable timber species in Asia, and its local traders increasingly turned to Africa and Latin America to meet domestic demand.[9] Between 2006 and 2013, China, India, and Vietnam increased their global imports of illegal timber by more than 50%, even as Europe cut its illegal imports by the same amount (Gan et al., 2016, p. 46). The illegal timber that once flowed north was now heading east—and predominantly to China.[10]

2.2. China's Economic Boom

In 1978, China—under the leadership of Deng Xiaoping—began dismantling the rigid and centralized economy left behind by Mao Zedong. New policies, such as the creation of Special Economic Zones, kicked off an era of rapid industrialization and global integration (Sheng & Yu, 2024). Within a few decades, a country once defined by overpopulation and widespread poverty had risen to become the world's second-largest economy.

As China transformed into a manufacturing giant, it needed cheap and vast quantities of raw materials to support its economic and geopolitical ambitions. A high domestic demand for timber led to years of overharvesting, and by the late 1990s, the government was forced to impose logging bans on key provinces to prevent an ecological collapse (Geng et al., 2020). Neighbouring countries in Southeast Asia were also soon overexploited, so China began to seek resources from distant regions.

Africa's dense tropical forests and poorly regulated timber industry presented an attractive alternative. Investors from China wasted little time securing logging concessions and setting up timber operations across the continent. At times these operations were legal, but more often they were not. By 2016, over three-quarters of the Africa's timber exports were headed to China (IIED, 2017). Of the many timber species leaving Africa's shores, rosewood soon started to dominate the trade.

2.3. Rosewood: The Ivory of the Forest

Timber is generally classified into two broad categories: hardwoods and softwoods. Hardwoods come from broad-leaved, flowering trees that shed their leaves annually. These trees are known for their density, strength, and durability (Musah et al., 2021). In contrast, softwoods come from non-flowering, needle-leaved trees that retain their foliage year-round and are lighter and more flexible than hardwoods.

The term rosewood refers to a group of hardwood species within the *Dalbergia* genus, which are native to tropical regions of South and Southeast Asia, West and East Africa, and Latin

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[8] Jason Ross (2024, 27 August). "The New Rules to Curb China's Timber Supply from Central Africa." Wood Central. https://woodcentral.com.au/the-new-rules-to-curb-chinas-timber-supply-from-central-africa/

[9] James Bargent (2014, 7 July). "Eco-Trafficking in Latin America: The Workings of a Billion-Dollar Business." InSight Crime. https://insightcrime.org/news/analysis/eco-trafficking-latin-america-billion-business/

[10] China is the world's largest importer, exporter, and consumer of illegal timber. See (EIA, 2012, p. 26). Appetite for Destruction. Environmental Investigation Agency. https://eia.org/blog/the-need-for-china-to-require-importers-to-source-legal-wood-products/

America (Treanor, 2015). These trees are prized for their rich reddish-brown colour that darkens over time, along with their smooth grain, which can be polished to a high sheen. Rosewood's density and acoustic properties make it especially popular for making musical instruments like guitars, while its beauty and durability have made it a staple in high-end furniture and artisanal woodwork.[11]

However, these same qualities have also made rosewood the world's most trafficked wildlife product (UNODC, 2020, p. 11). Years of overharvesting have severely reduced mature populations, thus driving up prices and making it an even more attractive target for illegal logging. In response to widespread exploitation, countries party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) adopted restrictions on the international trade of several *Dalbergia* species in 2017.[12] Despite these efforts, uncontrolled logging has continued in many parts of the world.

The highest demand for rosewood has come from China, where it holds deep cultural and historical significance. *Hongmu*, which is the local term for various rosewood species, has been used in the design of classical furniture since the Ming and Qing dynasties (Treanor, 2015).[13] In the early 2000s, this style saw a revival among China's growing middle class, who sought status symbols that echoed the prestige and craftsmanship of the imperial era (Zhu, 2019). This renewed interest led to a dramatic surge in rosewood imports. As demand continued to grow, Africa emerged as the dominant supplier. By 2018, nearly 90% of China's rosewood imports came from the continent, up from just 40% a decade earlier. Much of the trade, it is believed, involved timber that had been harvested or exported illegally (UNODC, 2020, p. 38).

The illegal trade became highly profitable for Chinese manufacturers, who could command extraordinary prices for their high-end rosewood pieces. An investigation into the illegal timber flows from Madagascar to China revealed that a single bed carved from Malagasy rosewood would sell for as much as US$1 million (Global Witness & Environmental Investigation Agency, 2010, p. 16). Such lucrative returns helped China build a strong domestic rosewood market that was already worth more than US$26 billion in 2014 (Baidoo et al., 2023).

3. Size and Scope

3.1. Africa's Artisanal Sector: A Brief Case Study of the DRC

Africa is home to some of the world's largest and most biodiverse forests. The Congo Basin rainforest stretches across six countries—Cameroon, the Central African Republic, the Democratic Republic of the Congo (DRC), Equatorial Guinea, Gabon, and the Republic of the Congo—and holds nearly 70% of the continent's forest cover (Tchatchou et al., 2015). It provides essential resources such as food, fuel, and medicinal plants to over 75 million people, and it also plays a vital role in regulating the global climate by acting as a carbon sink.[14]

Congo Basin countries account for approximately 80% of the volume of Africa's timber harvests (EIA, 2019, p. 11; Megevand, 2013, p. 101). Nearly a quarter of the forest area is

[11] Coorg Rosewood Timbers (2024, 23 May). "What Are the Unique Properties of Rosewood?" https://coorgrosewoodtimbers.com/what-are-the-unique-properties-of-rosewood/

[12] CITES Secretariat (2017, 2 January). "New CITES Trade Rules Come into Effect as 2017 Starts." Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). https://cites.org/eng/new_CITES_trade_rules_come_into_effect_as_2017_starts_02012017

[13] In Chinese, hongmu literally translates to red wood.

[14] ClientEarth (2020, 7 August). "How the Republic of Congo's New Forest Law Can Help Preserve World's 'Second Lung'." https://www.clientearth.org/latest/news/how-the-republic-of-congo-s-new-forest-law-can-help-preserve-world-s-second-lung/

designated for logging concessions, which are predominantly in Gabon and the Republic of Congo, where industrial logging has grown steadily (EIA, 2019a). Although the DRC contains more than 60% of the rainforest area, a 23-year moratorium on new concessions and a lack of investment caused by years of armed conflict have restricted the expansion of its industrial sector (Kanashiro et al., 2023, p. 11; Megevand, 2013, p. 37).[15] These limitations have, in turn, given rise to an informal timber trade filled with illegal logging activities.

Like much of Africa, most of the logging activities in the DRC are now done by small groups of locals operating with limited resources (EIA, 2024a). Artisanal logging has become a lifeline in a country that hosts the third-largest population of poor people in the world (UNDP, 2024, p. 6). However, legal participation in the timber sector remains out of reach for most. A five-year permit costs nearly 943,000 francs, or roughly US$600—an impossible sum in a nation where even basic needs go unmet.[16]

On the other hand, those who are granted legal access to the DRC's timber resources have consistently failed to uphold the law. A preliminary review of 82 forest concessions—managed by 29 companies and spanning over 14.5 million hectares—revealed a troubling reality. Over 42% of these concessions were found to be in violation of tax payments, and only 15% of logging companies were fulfilling their social obligations to local communities.[17]

The continued marginalization of informal loggers and lawlessness in the industrial sector have created a breeding ground for illegal activity. Therefore, it is hardly surprising that an exceptionally high share of timber harvested in the DRC is illegal. About 90% of the country's logging activity is estimated to be in violation of the law (Lawson, 2014, p. 2). But this level of illegality is not a problem unique to the DRC. Across the continent, a familiar pattern of poor oversight of the informal sector has allowed illegal logging and timber-related IFFs to persist. In 2021, the DRC government announced plans to lift its long-standing moratorium on new logging concessions.[18] Given that the sector is already struggling with regulation and compliance, expanding access for industrial operators could further increase the scale of illegal trade in the region.

3.2. The Scale of the Illegal Trade

Estimating the scale of Africa's illegal timber trade is complex because no single method can capture its full extent. Satellite-based monitoring provides valuable data on forest cover loss and can help estimate the volume of timber being logged. Comparing this data with officially reported timber exports may reveal signs of illegal activity. However, they provide limited understanding of the financial networks that sustain the trade and the actors who profit from it. To uncover these dimensions, monetary indicators like illicit financial flows (IFFs) are essential. Unfortunately, measuring IFFs is extremely difficult due to their covert and complex nature. The cross-border movement of illicit money linked to crime, corruption, and tax evasion is diverse and difficult to track (Forstater, 2018). Moreover, the absence of consistent and

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[15] A logging moratorium is a government-imposed suspension on the issuance of forest concessions

[16] Francine Ishay Mulumba (2018, 6 May). "Illegal Logging Grows in DRC – Along with Corruption and Harm to the Environment." Global Press Journal. https://globalpressjournal.com/africa/democratic-republic-of-congo/illegal-logging-growing-drc-along-corruption-harm-environment/

[17] Environmental Investigation Agency (2024, 14 October). "DRC's Logging Industry Marred by Systemic Illegalities, New Findings Show." https://eia.org/press-releases/drcs-logging-industry-marred-by-systemic-illegalities/

[18] Gloria Pallares (2024, 17 January). "In DRC, Titling Industrial Loggers Shows No Impact on Deforestation." CIFOR-ICRAF Forests News. https://forestsnews.cifor.org/85601/in-drc-titling-industrial-loggers-shows-no-impact-on-deforestation?fnl=en

reliable data on IFFs, along with the lack of a unified measurement framework, further complicates efforts to assess their scale, patterns, and impact on development (UNODC & UNCTAD, 2017). This ambiguity is reflected in the estimates given in official reports. According to the African Development Bank (2021, p. 4), anywhere from 50 to 90 percent of the continent's timber trade is illegal. Such a wide range suggests both data limitations and the widespread nature of illegal logging in Africa. While the exact figures remain uncertain, the high levels of illegality point to systemic corruption as a key enabling factor.

3.2.1. Corruption

The trade of timber, unlike narcotics or humans, is not always illegal. It becomes illegal when the timber is harvested, transported, or sold in violation of national and international regulations. Once it is mixed with legal stock and given fake documentation, it becomes difficult to trace. According to the Financial Action Task Force (2021), environmental crimes like illegal logging are considered low risk and high reward. For instance, in the DRC, forestry laws appear tough on paper, with stiff fines and jail terms. In practice, offenders often avoid serious consequences by settling cases with small payments far below the legal maximum (Lawson, 2014, p. 15). This is part of what makes illegal logging so attractive.

The high profit and low-risk factors have fuelled widespread corruption involving government officials, law enforcement, and political elites. One way to detect these illegal activities is by comparing trade data. If the value of timber exports reported by one country doesn't match the value of imports reported by its trading partner, the difference is known as a trade discrepancy.[19] The trade data between Cameroon and Vietnam illustrates this concept clearly. From 2013 to 2017, Vietnam reported timber imports significantly higher than the export figures declared by Cameroon.

Table 1. Export-Import Discrepancy between Cameroon and Vietnam (2013–2017)

Year	Cameroon Exports to Vietnam	Vietnam Imports from Cameroon	Dollar Difference
2013	US$55 million	US$78 million	US$23 million
2014	US$68 million	US$105 million	US$37 million
2015	US$78 million	US$145 million	US$67 million
2016	US$73 million	US$175 million	US$102 million
2017	US$88 million	US$190 million	US$102 million

Source: EIA (2020, p. 25)

The increase in the dollar difference over this period suggests that more shipments were being under-reported, misclassified, or smuggled outright. An investigation into the Senegal-Gambia-China rosewood trade route, revealed that illegal loggers were falsifying the declaration of rosewood shipments by labelling the containers as peanuts or metal scraps to bypass customs checks and export the timber illegally to China. However, once the containers arrived in China,

[19] Hiau Looi Kee (2024, 17 January). "Exploring the Puzzle of Trade Discrepancies in International Trade Statistics." World Bank Blogs. https://blogs.worldbank.org/en/developmenttalk/exploring-puzzle-trade-discrepancies-international-trade-statistics

they were frequently declared as rosewood in import data.[20] The use of such deceptive tactics could account for the trade discrepancy between Cameroon and Vietnam

The Zambia-China timber flow also revealed a similar pattern. Between 2017 and 2020, Chinese customs data showed its timber imports from Zambia were six times the value of Zambia's reported exports. The result was a cumulative trade discrepancy of roughly US$214 million.[21] A comprehensive audit across multiple African countries would likely uncover widespread trade discrepancies in the timber industry.

3.2.2. EIA Reports on Africa

Africa loses up to US$17 billion annually in revenue due to the illegal timber trade (African Development Bank, 2021, p. 13).[22] Such figures have raised serious concerns for a continent that contributes only 3% to the global GDP (UNIDO, 2023). In response, several governments have imposed export bans over the years with limited success.

The UK-based NGO Environmental Investigation Agency (EIA) has exposed many violations of these bans, along with cases of corruption.

Table 2. Selected EIA-documented cases of timber trade violations in Africa

Country	Illegal Activities
Equatorial Guinea [1]	Minister of Forests received US$24.6 million/year in bribes (2015 - 2021) for timber exports to China
Ghana [2]	Over 50% of rosewood exports (2012 - 2019) occurred under an active ban
Nigeria [3]	US$300 million in illegal rosewood exports in 2016
Gambia [4]	US$471 million trade discrepancy (2010 - 2018) between recorded exports and global import records
Zambia [5]	US$7.5 million/year paid in bribes and informal "fees"
Mozambique [6]	89% of timber exports to China (2017 - 2023) violated log export ban
Mali [7]	220,000 rosewood trees illegally exported to China (2020 - 2022)

Sources: [1] EIA (2023, p. 2); [2] EIA (2019b, p. 2); [3] EIA (2017, p. 26); [4] EIA (2020, p. 3); [5] EIA (2019c, p. 1); [6] EIA (2024b, p. 2); [7] EIA (2022, p. 2).

Specific timber exports in Africa often involve more than one country, with some nations acting as primary sources of illegally harvested timber, while others serve as transit points for

[20] Andrei Popoviciu (2024, 23 January). "Conflict Timber: Gambian Traffickers Continue Rosewood Trade Despite Ban." Al Jazeera. https://www.aljazeera.com/features/2024/1/23/conflict-tinder-gambian-traffickers-continue-timber-trade-despite-ban

[21] Environmental Investigation Agency (2021, 8 September). "Mukulagate: The Network of Institutional Patronage Behind Forest Looting." https://eia.org/blog/20210908-mukulagate/

[22] The calculation of this figure was based on Interpol's estimate that the annual financial losses from the illicit timber trade globally were about US$100 billion.

its movement to global markets. Illegal loggers take full advantage of porous borders and corrupt customs officials to move timber across regions with little fear of being prosecuted. In Guinea, for instance, the loggers have been documented cutting trees and quietly moving them into Sierra Leone using pickup trucks and remote staging points to dodge detection and bypass export bans (EIA, 2024c). These practices illustrate how the problem of illegal logging covers multiple countries, which makes it harder to trace and control. Tackling a trade that is so wide in scope requires not just national reforms but also stronger regional cooperation and intelligence sharing.

4. Actors

The illegal trade involves a complex web of legal and illegal actors interacting to facilitate the movement of illegal timber along the trade chain (van Uhm et al., 2022). Corruption, collusion, and unchecked power create ideal conditions for these networks to operate. As Peer Schouten of the Danish Institute for International Studies puts it, 'If you want to be in the timber trade, you need to know a general, a politician, and armed groups to do business—or you'll be harassed too much'.[23]

The Global Organized Crime Index identifies five types of criminal actors that operate across illicit markets, and all five of them are active in the timber trade.[24]

4.1. State-Embedded Actors

State-embedded actors hold positions in government, the military, or the political elite. They use their influence to control access to timber resources, protect allies from legal consequences, and ultimately decide who profits from the illegal trade.

A high-profile case involving the trade of rosewood (known locally as Mukula) from Zambia to China demonstrates how state actors are integral to the illegal timber network. The investigations exposed the involvement of officials from the Ministry of Community and Social Services, the Ministry of Tourism and Arts, the Zambia Agency for Persons with Disabilities (ZAPD), and even the vice president's office. Land grants meant to support people with disabilities were used as a cover for the illegal logging of Mukula timber. The Zambia National Service (ZNS) helped stockpile and transport the wood, while fake auctions were staged between the state-owned Zambia Forestry and Forest Industries Corporation (ZAFFICO) and a politically linked Chinese entrepreneur, who exported the timber under ZAFFICO's name. [25]

4.2. Foreign Actors

Foreign actors are the bridge between Africa's timber and the global market. The high level of corruption in the timber sector means they can boost profits by dodging taxes and sidestepping regulations. The small-scale traders often shield their illegal operations behind front companies or local partnerships. Meanwhile, multinational corporations influence policy by pressuring

[23] Musinguzi Blanshe (2024, 4 April). "Big Men, an Ugly History, and the Ruthless Congo Basin Timber Smuggling Business." Pulitzer Center. https://pulitzercenter.org/stories/big-men-ugly-history-and-ruthless-congo-basin-timber-smuggling-business

[24] The Global Organized Crime Index, developed by the Global Initiative Against Transnational Organized Crime (GI-TOC), is a multi-dimensional tool that assesses criminality and resilience across 193 countries, based on criminal markets, criminal actors, and resilience factors. https://ocindex.net/

[25] Environmental Investigation Agency (2021, 8 September). "Mukulagate: The Network of Institutional Patronage Behind Forest Looting." https://eia.org/blog/20210908-mukulagate/

governments into easing environmental regulations or ignoring violations altogether. The preservation of key trade partnerships means African officials are often willing to oblige.

The 2019 controversy involving Helena Huang illustrates the impunity some foreign actors enjoy. Authorities in Ghana arrested Helena for transporting undocumented rosewood, but she fled after securing bail and was later deported without prosecution.[26] Her case mirrored that of Aisha Huang, another Chinese national who was deported in 2018 despite serious charges related to illegal gold mining. A senior government official later defended Aisha's release and cited the need to preserve strong diplomatic relations with China—particularly in the context of Ghana's US$2 billion infrastructure deal with the Chinese firm Sinohydro. [27]

4.3. Mafia-Style Groups

The term *conflict timber* refers to timber that has contributed to the outbreak, escalation, or continuation of armed conflict (Harwell, 2010, p. 16). In areas with weak state control, mafia-style and armed non-state groups often seize control of the timber trade. They use violence and intimidation to control timber access and extort fees from loggers operating within their territory. For instance, during the Séléka rebel rule in the Central African Republic, foreign timber companies reportedly paid at least €3.4 million in protection fees. These payments financed the rebel administration and supported criminal activities, including arms trafficking (Global Witness, 2015, p. 3).

4.4. Private Sector Actors

Private actors are typically local and international companies operating at various stages of the supply chain. Like foreign actors, their investments play a key role in job creation and infrastructure development. However, when these companies take part in the illegal timber trade, they risk undermining the very benefits they bring.

A four-year undercover investigation by EIA (2019a) exposed the illegal activities of the Dejia Group—a conglomerate of affiliated companies controlled by the Chinese mogul Mr. Xu Gong De—which manages over 1.5 million hectares in Gabon and the Republic of the Congo. Investigators found that the group had bribed officials to obtain forest concessions and subsequently engaged in overharvesting, tax evasion, and the export of illegal timber worth US$80 million. The group also contaminated global supply chains by distributing their finished products in US and European markets, both of which have strict bans on the importation of illegal timber.[28]

4.5. Criminal Networks

Unlike mafia-style groups that exert territorial control, criminal networks specialize in managing logistics and financial flows. They often collaborate with state officials and foreign partners to evade detection, and their elusive nature makes them difficult to track.

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[26] Mutala Yakubu (2019, 3 July). "Chinese 'Rosewood Queen' Helena Huang Deported." Prime News Ghana. https://www.primenewsghana.com/general-news/chinese-rosewood-queen-helena-huang-deported.html

[27] Timothy Ngnenbe (2019, 25 April). "Aisha Huang Was Not Exchanged for Sinohydro Deal – Gov't." Graphic Online. https://www.graphic.com.gh/news/general-news/ghana-news-aisha-huang-was-not-exchanged-for-synohydro-deal-gov-t.html

[28] The United States enforces the Lacey Act, which prohibits the trade of illegally sourced plants and plant products, including timber.

Although little is known about such networks in Africa, similar operations have been documented elsewhere. The Patrones de Ucayali was a criminal network in Peru, led by a former police officer, that smuggled timber from the Amazon rainforest to supply both domestic and international black markets. The operation involved dozens of loggers, transporters, and intermediaries who moved timber downriver to the capital, Lima. Their activities were facilitated by corrupt government officials and financiers who 'legalised' the timber using falsified permits. Despite a comprehensive investigation, the group's leaders disappeared before they could be arrested by authorities.[29]

5. Mechanisms

The illegal timber trade often begins deep in remote forests, where logging operations can be hidden from authorities. Much of the harvesting takes place under the cover of darkness to reduce the risk of being caught.[30] While industrial companies may hold legal concessions, many violate the law by cutting protected species or harvesting outside their quota. Illegal artisanal loggers, by contrast, operate entirely outside the formal system. Without permits, they rely on informal networks to gain access to timber. This can mean bribing local officials, striking deals with armed groups, or selling directly to foreign buyers for modest sums of cash.

Once the trees are harvested, they are moved either as raw logs (roundwood) or processed into sawn planks and boards (sawn wood). The artisanal loggers typically carry out the processing directly at the site of harvest. This reduces the bulk for easier transport and removes identifying features like bark. In contrast, industrial operators often transport logs to sawmills where processing yields higher-quality timber. However, this stage also presents opportunities for mixing legal and illegal stock (Basel Institute, 2021).

Transportation is a critical phase in the illegal trade. The timber is moved from hidden forest stockpiles and sawmills to ports or border crossings. Formal operators may conceal illegal timber within their permitted quotas, while informal truck drivers rely on forged documents, bribery, and political connections to move the cargo.[31] This phase is marked by all kinds of deceptive practices, including misclassifying species to avoid taxes, underreporting volumes to reduce fees, and falsifying documents to disguise the timber's true origin (UNODC, 2025, p. 41).

An investigation by The Africa Report uncovered how illegal timber harvested in the DRC is transported to Kenya via Uganda. The report revealed a troubling mix of corruption, negligence, and inadequate infrastructure. Investigators discovered that there were no scanners or weighing scales at the DRC-Uganda border post to check or weigh timber arriving or departing in trucks. Truck drivers routinely bribed officials to obtain fraudulent paperwork, such as fake certificates of origin or false cargo declarations, to reduce tax payments. These documents were later presented at the Uganda-Kenya border for customs clearance. To avoid detection under transport laws, excess timber was offloaded at private weigh stations before the remaining stock was moved on to Kenyan markets or exported to Asia.[32]

[29] James Bargent (2020, 18 September). "Peru's Timber Thieves and Their Patrons." InSight Crime. https://insightcrime.org/investigations/peru-patrones-patrons-timber/

[30] Emily Kaldjian, Loretta Cheung, & Meaghan Parker-Forney (2015, 7 September). "4 Cutting-Edge Technologies to Catch Illegal Loggers." World Resources Institute. https://www.wri.org/insights/4-cutting-edge-technologies-catch-illegal-loggers

[31] Josiane Kouagheu and Madeleine Ngeunga (2023, 8 June). "How Illegal Wood Escapes Control Circuits in Cameroon." Pulitzer Center. https://pulitzercenter.org/stories/how-illegal-wood-escapes-control-circuits-cameroon

[32] Musinguzi Blanshe (2024, 3 April). "Timber hustling: Lia, a Thriving Hub for Congolese Mahogany Trafficked to Uganda, Kenya." The Africa Report. https://www.theafricareport.com/341713/timber-hustling-lia-a-thriving-hub-for-congolese-mahogany-trafficked-to-uganda-kenya/

Once illegal timber reaches its destination, it enters the global market where it is often sold alongside legally sourced wood. The illegal timber is typically hard to distinguish without the use of specialized testing methods. In many cases, international buyers fail to conduct proper due diligence, resulting in consumers unknowingly purchasing products linked to illegal logging.

6. Effects of the Illegal Timber Trade

Illegal logging has wide-ranging environmental, economic, and social impacts. These effects are often closely connected and reinforce one another. In some cases, illegal logging is the main source of harm, and in others, it worsens problems that already exist.

6.1. Social Effects

The illegal trade often acts as a catalyst for social division and unrest. The high value of timber creates intense competition between local communities, armed groups, and political actors. The interaction between the trade and existing socio-political dynamics can have devastating effects, particularly in areas already affected by conflict or political instability.

Case Study: Conflict Timber in Casamance

Senegal is often hailed as one of West Africa's most stable democracies. However, its southern Casamance region has been the site of a decades-long separatist conflict. Since 1982, the Movement of Democratic Forces of Casamance (MFDC) has waged an insurgency to gain independence for Casamance, citing cultural and ethnic differences from the rest of Senegal (Sakinatunnafsih et al., 2023). Casamance's rich rosewood reserves have become a key revenue source for rebel factions. Between 2012 and 2020, 1.6 million rosewood trees were illegally harvested and smuggled to The Gambia. Proceeds from this trade have funded weapons, recruitment, and territorial control (EIA, 2020, p.1).

Though relatively low in intensity compared to other regional conflicts, the war in Casamance has caused significant human suffering. An estimated 5,000 people have been killed and 70,000 displaced. Many have fled to The Gambia and Guinea-Bissau, where support remains limited (Bean, 2020, p. 6). Displaced families have sought refuge in safer areas and often settled in unfamiliar towns. Separated from their land and stripped of resources, many find themselves socially isolated and economically vulnerable. The ongoing displacement has further increased the demographic pressure on the regional capitals because many are unable to secure employment (Ngom & Sene, 2021).

The conflict has disrupted the lives of more than 150,000 people and left many dealing with psychological trauma. One former social worker captured the human cost of the conflict in Casamance when he recalled in an interview, 'One young student who used to be top of her class in high school is now completely withdrawn. She started isolating herself. She no longer participated during class and her scores plummeted. She had seen someone slit her father's throat'.[33]

A 2022 peace deal between the Senegalese government and one MFDC faction offered a glimmer of hope, but the situation remains fragile. Other rebel groups remain active, and sporadic clashes continue. Meanwhile, infrastructure lies in ruins, and the lingering threat of

[33] ReliefWeb (2010, 20 May). "Senegal: Tackling Trauma in Casamance." https://reliefweb.int/report/senegal/senegal-tackling-trauma-casamance

landmines has devastated agriculture and tourism.[34] For the people of Casamance, the effects of prolonged conflict are still felt in every aspect of life, and stability remains a distant hope for many.

6.2. Political and Economic Effects

Africa's 'resource curse' is often associated with the mineral wealth of countries like the DRC, where diamonds, gold, and coltan have fuelled conflict, corruption, and chronic underdevelopment.[35] However, natural resource exploitation is not limited to the extractive industries. Madagascar is a clear example of how the illegal timber trade can undermine political stability and weaken economic systems.

Case Study: Illegal Logging and Political Instability in Madagascar
Known for its unique biodiversity and rich hardwood forests, Madagascar was plunged into turmoil following a change of political power. In March 2009, President Marc Ravalomanana was ousted in a military-backed coup led by opposition leader and Antananarivo mayor Andry Rajoelina. The takeover drew widespread international condemnation and led to the suspension of foreign aid to the country (Ploch & Cook, 2012). With an economic crisis looming and state authority in disarray, there was an outbreak of illegal logging in the country's northeastern region.

Protected forests, including those in the Masoala National Park, were quickly overrun by poor loggers looking for quick income. Thousands of rosewoods and ebony trees were cut down and transported by trucks or floated down rivers to ports in the coastal cities of Vohémar and Antalaha. Exporters then shipped the timber to China, where demand for Madagascar's exotic hardwoods was booming (Global Witness & Environmental Investigation Agency, 2010, p. 6). Over the next four years, the island country exported US$250 to US$300 million of illegal timber annually.[36] The wave of illegal logging shifted power and wealth into the hands of a few timber barons, who used their profits to acquire overseas assets while local communities suffered.

In December 2009, the transitional government—under growing international pressure to stop the uncontrolled logging—approved the sale of existing stockpiles, which effectively legalised previously harvested timber. Leaked documents revealed that over 500,000 logs valued at US$5 billion had been approved for sale. Sources also alleged that Rajoelina planned to use the proceeds to fund his political party and secure military loyalty ahead of upcoming elections.[37]

The environmental destruction triggered by illegal logging in Madagascar had lasting consequences, not only for the country's ecosystems but also for its economy and international reputation. The uncontrolled logging also left the country's unique wildlife vulnerable to poachers. Together, these pressures caused the collapse of ecotourism, which had emerged as a key contributor to the national economy. In 2008, the ecotourism sector had generated nearly

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[34] ReliefWeb (2012, 27 December). "Casamance Recovers More Land Lost to Landmines." https://reliefweb.int/report/senegal/casamance-recovers-more-land-lost-landmines

[35] The resource curse refers to the paradox where countries rich in natural resources often experience slower economic growth, weaker governance, and more conflict than resource-poor countries

[36] Khadija Sharife & Edward Maintikely (2018, 17 August). "The Fate of Madagascar's Endangered Rosewoods." Organized Crime and Corruption Reporting Project (OCCRP). https://www.occrp.org/en/investigation/the-fate-of-madagascars-endangered-rosewoods

[37] Environmental Investigation Agency (2013, 30 September). "Madagascar's Transitional President Threatens to Sell Illegal Wood Worth US$5 Billion." https://eia.org/press-releases/madagascars-transitional-president-threatens-to-sell-illegal-wood-worth-5-b/

US$390 million, but tourist arrivals dropped by as much as 60% in the aftermath of the 2009 crisis. The decline forced national parks to shut down and displaced thousands of workers, from local guides to hospitality staff.[38] The loss of tourism revenue, compounded by the suspension of donor aid, left conservation programmes financially crippled. Protected areas, once viewed as global models of community-based biodiversity management, became increasingly vulnerable to further exploitation. At the same time, the broader economy experienced a significant downturn. The rate of change in GDP fell from 7% in 2008 to -3.7% in 2009 (Ploch & Cook, 2012, p. 15). To keep the economy afloat, the government made deep budget cuts, which weakened public service delivery and stalled recovery. By 2013, almost three quarters of the population were living below the national poverty line (Dabire & Bi, 2014, p. 2).[39] Even though Madagascar had once been hailed as a leader in environmental conservation, poor governance of its natural resources undid years of progress.

6.3. Environmental & Health Effects

Illegal logging causes severe environmental harm. It disrupts ecosystems, threatens species that depend on forest habitats, and accelerates soil erosion by removing tree cover. The removal of trees also reduces carbon dioxide absorption, leading to increased emissions that contribute to climate change. While these impacts are widely discussed, the effects on human health and daily life often receive less attention.

Loggers face serious health and safety risks, especially where safety measures are absent. Makeshift mills and high-powered chainsaws produce thick clouds of sawdust and fine particles, which can cause eye injuries.[40] Skin contact with certain tropical hardwoods can trigger allergic reactions or rashes (Demers, 2024). Although safety guidelines recommend helmets, ear protection, and cut-resistant clothing, many artisanal loggers in Africa cannot afford such equipment.

Prolonged exposure to wood dust is especially dangerous for respiratory health. The International Agency for Research on Cancer classifies wood dust as a Group 1 carcinogen.[41] Larger particles irritate the upper respiratory tract and can cause sinonasal cancer, while finer dust reaches deep into the lungs and increases the risk of chronic respiratory illness over time (Demers, 2024).

The loss of tree cover also leaves soil unprotected. Erosion strips away nutrient-rich topsoil and contributes to dust storms and desertification (Bashari et al., 2024). In dry and windy regions, the movement of dust over long distances can significantly reduce air quality. According to UNICEF (2019, p.4), deaths from outdoor air pollution in Africa rose by nearly 60% between 1990 and 2017. Children are especially at risk and can have their life expectancy reduced by up to two years.

As soil and air quality decline, communities face lower crop yields, higher medical costs, and increased school absenteeism due to illness. What begins as logging in the local area undermines public health, education, and economic growth on a national scale.

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[38] Rhett Butler (2010, 4 January). "Madagascar's Political Chaos Threatens Conservation Gains." Yale Environment 360. https://e360.yale.edu/features/madagascars_political_chaos_threatens_conservation_gains

[39] ReliefWeb (2011, 18 March). "Madagascar: A Poor Country Gets Poorer." https://reliefweb.int/report/madagascar/madagascar-poor-country-gets-poorer

[40] Judd Michael & Dr. Serap Gorucu (2024, 4 December). "The Dangers of Using Chainsaws." Penn State Extension. https://extension.psu.edu/the-dangers-of-using-chainsaws

[41] A carcinogen is any substance capable of causing cancer in living tissue. Group 1 carcinogens are those for which there is sufficient evidence of carcinogenicity in humans

7. Why The Illegal Trade Persists

7.1. Corruption

Corruption in Africa's timber trade does not stop with low-level inspectors at the border or forest officers. It often reaches the highest levels of government. When those entrusted to protect public resources are the ones exploiting them, the entire system becomes compromised.

Case Study: The Obiang Family and the Looting of Timber in Equatorial Guinea
Equatorial Guinea is a tiny oil-rich nation in Central Africa and has one of the highest GDPs per capita on the continent.[42] Yet more than three-quarters of its population lives on less than US$2 a day. Fewer than half have access to clean water, and one in twelve children dies before the age of five.[43] The country is run by President Teodoro Obiang Nguema Mbasogo, who has been in power since 1979. His regime has been a textbook example of how authoritarianism and elite plunder go hand in hand.

His son, Teodorin Nguema Obiang Mangue, is often seen on Instagram posing in private jets and luxury cars. In 1993, Teodorin was just 24 years old and reportedly a college dropout when he was gifted 25,000 hectares in forest concessions by his father. A few years later, he received 11,000 more. When his father appointed him Minister of Forestry in 1998, Teodorin Obiang seized total control of the country's timber industry and began using it for personal enrichment. He outsourced the physical logging operations to foreign companies while diverting the profits into his accounts. Exporters were also forced to pay a personal 'tax' directly to him.[44]

Between 2004 and 2011, Obiang is believed to have stolen over US$115 million from timber operations alone.[45] The money was used to fund his extravagant lifestyle: mansions in Paris, luxury supercars, rare artwork, and high-end jewellery. In 2017, a French court handed him a suspended sentence for embezzlement and ordered the seizure of assets, including a €100 million mansion on Avenue Foch.[46] However, the scandal did little to affect his political career. Teodorin Obiang has held the position of vice president since 2016, and as the incumbent's son, he remains untouchable.

Obiang is just one of many high-ranking government officials who have been implicated in the trade. The Gambia's illegal rosewood exports peaked during the dictatorship of former leader Yahya Jammeh. Investigations later revealed that Jammeh had exploited the country's timber resources, avoided taxes, and used his company, Westwood Gambia, to directly fund MFDC rebels in the neighbouring Casamance region.[47] In Zambia, the 'Mukula-gate' scandal exposed how former President Edgar Lungu and his family allegedly used military and

[42] International Monetary Fund (2025, April). "World Economic Outlook – GDP per capita, current prices." IMF Data Mapper. https://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVEC/WEOWORLD
[43] Institute for Security Studies (2024, September). "Equatorial Guinea." African Futures. https://futures.issafrica.org/geographic/countries/equatorial-guinea/#poverty
[44] Ken Hurwitz (2011, 25 October). "U.S. Obiang Action Sends Message on Global Kleptocracy." Open Society Justice Initiative. https://www.justiceinitiative.org/voices/us-obiang-action-sends-message-global-kleptocracy
[45] Jason Burke (2017, 2 January). "French Trial Reveals Vast Wealth of Equatorial Guinean President's Son." The Guardian (UK Edition). https://www.theguardian.com/world/2017/jan/02/french-trial-teodorin-obiang-wealth-equatorial-guinea
[46] EG Justice (2017, 31 October). "Teodorin's Conviction: Landmark Victory in Fight Against Corruption." EG Justice. https://egjustice.org/content/teodorins-conviction-landmark-victory-in-fight-against-corruption
[47] Andrei Popoviciu (2024, 23 January). "Conflict timber: Gambian Traffickers Continue Rosewood Trade Despite Ban." Al Jazeera. https://www.aljazeera.com/features/2024/1/23/conflict-tinder-gambian-traffickers-continue-timber-trade-despite-ban

government vehicles to smuggle valuable rosewood logs under the guise of official state business (EIA, 2019c).

Corruption at the highest levels not only robs countries of revenue but also destroys public trust. When leaders and their families openly benefit from public resources with impunity, it implies that accountability does not apply at the top. This undermines the rule of law and encourages illegal behaviour at every level. Over time, the country's reputation is tarnished internationally, which deters investment and strains diplomatic ties

7.2. Weak Law Enforcement

Illegal logging thrives in Africa not because laws are absent, but because institutions are too weak or compromised to enforce them. Forestry ministries, environmental agencies, and courts of law often bend under the weight of political interference and financial influence. In such an environment, they rarely uphold the law or punish offenders.

In 2021, a Kenyan court ordered the release of US$13 million worth of rosewood to suspected traffickers, despite clear evidence that the timber had been illegally exported from Madagascar. The shipment, which was seized in Mombasa en route to Hong Kong, was protected under both Kenyan and CITES law. Yet the court disregarded expert testimony and ruled that CITES restrictions did not apply at the time of seizure. Civil society groups argued that the ruling reflected deeper patterns of corruption and political protection, which routinely shield traffickers from prosecution.[48]

In many African countries, forestry laws are progressive on paper but rarely upheld in practice. Enforcement is often shaped by informal power structures. Illegal traders know that penalties can be reversed through political pressure or legal tactics. Even when governments announce tough measures, the follow-through is very weak. This signals to both local and foreign actors that legal compliance is negotiable and that influence matters more than law.

7.3. Economic Incentives

Most discussions about illegal logging in Africa focus on the high-profile cases of politicians making millions from the trade. But behind every truckload of timber are hundreds of people taking risks for a small share of the profit.

In Cameroon, systemic underpayment among forestry officials has created fertile ground for bribery. Chainsaw millers routinely pay informal fees of 100 to 200 CFA francs (€0.15–0.30) per plank, and a single truckload of timber can generate up to 40,000 CFA francs (€60) in bribes. For an officer earning just 100,000 CFA francs (€150) per month, these rates represent a strong financial incentive to overlook illegal activity.[49] Local communities are also drawn into the trade, largely due to structural exclusion from the benefits of legal logging activities on their land. Despite laws mandating the distribution of royalties, revenue from licensed operations rarely reaches the community. In response, chiefs and village members often engage directly with illegal loggers who offer immediate cash payments These payments can be anywhere from 25,000 to 250,000 CFA francs (€38 - 375) per logging operation and, in some areas, have totalled

[48] Willis Okumu (2022, 26 September). "Smugglers Carve a Niche in Africa's Rare Rosewood." Institute for Security Studies (ISS Today). https://issafrica.org/iss-today/smugglers-carve-a-niche-in-africas-rare-rosewood

[49] Charlie Pye-Smith (CIFOR) (2011, 11 April). "Illegal Logging Funds Public Services in Cameroon." CIFOR Forests News. https://forestsnews.cifor.org/2441/illegal-logging-funding-public-services?fnl=en

as much as 13 million CFA francs (€19,500). The funds are frequently used to support local development, including the construction of schools, roads, and community facilities.[50]

The profit potential of illegal logging has lured many away from traditional livelihoods. In rural Zambia, former charcoal vendor Steven Nyambose abandoned his trade after discovering the market value of rosewood: 'We used to see this tree and think it was just like any other—not knowing it was a gold mine'. Field investigations confirm that loggers can earn between US$5 and US$10 per log, which can exceed Zambia's average monthly household income of K3,442.90 (around US$164) for just a few days of work (Zambia Statistics Agency, 2022, p. 106).[51] In regions where the formal economy remains inaccessible or fails to meet local needs, illegal logging becomes one of the few viable strategies for economic survival.

8. Proposals for Reform

8.1. Establishing Export Standards

One of the reasons African countries have had problems implementing the EU Voluntary Partnership Agreements (VPAs) is because timber-producing countries prefer to export to markets with high demand and minimal import restrictions. So long as some countries continue to import timber without strict due diligence mechanisms, illegal logging will persist. The presence of willing buyers will always reduce the incentive for exporters to follow sustainable practices.

To address this, African countries must establish and enforce their own export standards to stop the illegal trade at its source. These standards should be clear, mandatory, and supported by robust verification systems. A key tool in this process is a Chain of Custody (CoC) system, which tracks timber from harvest to processing and export.[52] This system prevents document falsification and the mixing of legal and illegal timber in the supply chain. Importantly, all timber exports, regardless of destination, should comply with these domestic standards.

The need for internal controls is highlighted by an EIA (2019c, p. 7) report, which revealed that Zambian rosewood was illegally harvested and smuggled through neighbouring countries before reaching international markets. These diversion routes were often based on port access, weak border enforcement, and personal networks in transit states. To counter this, African countries must invest in real-time data sharing and coordinated cross-border enforcement. Non-compliance should result in meaningful consequences, such as cargo and vehicle seizures, blacklisting of complicit shipping firms, and harmonised penalties across the region to ensure consistent enforcement.

8.2. Tracking & Traceability Technology

Establishing legal standards for timber exports is a necessary first step, but without the ability to verify compliance, such standards remain impractical. Effective traceability systems must

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[50] Josiane Kouagheu, David Akana and Madeleine Ngeunga (2023, 13 June). "Forest Communities' Complicity with Illegal Loggers." Pulitzer Center.
https://pulitzercenter.org/stories/forest-communities-complicity-illegal-loggers

[51] Piliro Phiri (2014, 19 September). "Rare Zambian Tree Faces Exploitation Because of Legal Loophole." Inter Press Service (IPS News).
https://www.ipsnews.net/2014/09/rare-zambian-tree-faces-exploitation-because-of-legal-loophole/

[52] David J. Cord (2022, 4 May). "What is Chain of Custody and How Can It Protect Our Forests?" UPM Specialty Papers.
https://www.upmspecialtypapers.com/articles/specialty-papers/22/what-is-chain-of-custody-and-how-can-it-protect-our-forests/

confirm the origin, species, and legality of timber at every stage prior to export. This pre-export verification should ideally be conducted by independent, third-party certifiers to ensure credibility and reduce the risk of interference.

Technology plays a critical role in enabling real-time monitoring of timber supply chains. A centralised digital platform such as a single-window system can be developed to consolidate documentation, licences, and transaction records. Incorporating blockchain into this system offers additional safeguards by creating immutable records that flag any alterations.

Radio Frequency Identification (RFID) is among the most effective tools currently available for physical timber tracking. RFID involves attaching microchipped tags to individual logs at the point of harvest. These tags store unique identifiers that can be scanned wirelessly, even without a direct line of sight (Forsythe & Carey, 2017). RFID systems also allow for bulk scanning during transport and storage, reducing manual oversight while increasing traceability. RFID tags are linked to a secure database that holds key information, such as the timber's species, harvest location, and permit details. Together, they provide a tamper-resistant way to verify legality as the timber moves through the supply chain (Dykstra et al., 2002). The RFID tags can be physically removed but some tags are designed to be tamper-evident or difficult to extract without causing noticeable damage.

Additional scientific tools are emerging to support species and origin verification. Stable Isotope Ratio Analysis (SIRA) is used in forensic investigations to determine the geographic origin of timber by analysing naturally occurring isotopes absorbed by trees from the local environment. These chemical signatures vary by region and can be matched to geospatial reference databases to confirm whether a log was harvested from a licensed concession or legal area (Truszkowski et al., 2025).

DNA testing, by contrast, focuses on genetic material to accurately determine timber species even in processed wood. This method helps stop misdeclaration, which is one of the most common forms of fraud in the timber trade. It allows authorities to verify whether the species declared on export documents matches the physical shipment. (Degen & Fladung, 2008).

The implementation of these technologies requires substantial investment in infrastructure, training, and data collection. Each method also has its limitations when applied in isolation. For example, isotope analysis requires extensive reference databases to work effectively (NEPCon, 2017). However, when deployed together, these tools can form a complementary, multi-layered verification system that significantly strengthens the traceability and legality of timber exports.

8.3. Build Local Processing Capacity

One of the main drivers of Africa's illegal timber trade is the region's limited capacity to process wood locally. Most of the timber from Africa is exported as raw because value addition, although increasing, is still underdeveloped compared to other timber-producing areas.[53] Meanwhile, artisanal loggers, who supply much of the local market, remain outside the formal economy. Despite being well-organised, they lack legal recognition and protection. This has left them vulnerable to unstable incomes and frequent harassment from authorities.[54]

Governments can begin to fix this by integrating informal workers into the legal system and investing in local processing. That means making permits affordable, expanding skills training,

[53] Patrol (2024, 6 March). "Timber Production in Africa." https://www.patrolling.org/timber-production-in-africa/
[54] Ahtziri Gonzalez and Arnauld Ulrich Chyngwa (2020, 8 May). "Formalizing Artisanal Logging in Central Africa." Forests News. https://forestsnews.cifor.org/65406/formalizing-artisanal-logging-in-central-africa?fnl=en

and restricting raw log exports. Financial tools like tax breaks, subsidies, or low-interest loans can also support small and medium-sized enterprises.

Gabon is a strong example of how industrial policy and regulation can support both economic and environmental goals. In 2010, it banned raw log exports and launched the Nkok Special Economic Zone to promote local processing. Between 2016 and 2023, revenues from the sector quadrupled. Forestry now contributes 3.2% of GDP, accounts for 6% of exports, and directly employs nearly 15,000 people.[55]

Gabon's experience shows that economic growth and environmental enforcement are not mutually exclusive. With smart reforms, countries can reduce illegal logging while boosting jobs, revenue, and long-term development.

9. Who Is Responsible for Change?

The responsibility for stopping the illegal timber trade primarily rests with the exporting state and its institutions. However, the role of importing and transit states is equally important. In cases where the timber passes through multiple countries, particularly when exported from landlocked producers, both transit and destination countries should require all persons responsible for the customs declaration to provide the certificate of verification from the country of origin. This certificate would confirm that the timber was legally harvested and complied with all export standards.

State institutions must ensure there is transparency and accountability within the sector. For the institutions to perform their duties effectively, they need adequate funding, modern infrastructure, and a trained workforce. Without these resources, even the best policies will fail. An example is the Zambia Revenue Authority (ZRA), which monitors customs and trade. The ZRA has publicly recognised its challenges in monitoring the mining sector, attributing these issues to a shortage of personnel skilled in conducting tax audits.[56] This has resulted in widespread tax evasion and underreporting. If similar capacity gaps exist in the timber sector, illegal exports will continue to go unchecked.

Institutions must also be empowered to act independently and be free from political interference. Banks and other financial institutions should be equipped to flag suspicious transactions linked to timber exports and report potential money laundering activities without fear of retaliation. Enhanced scrutiny of cash flows, company ownership, and cross-border payments could expose individuals profiting from illegal logging. Strengthening internal oversight and ensuring legal protections for whistleblowers can further safeguard the integrity of these institutions. When banks and government agencies are allowed to fulfil their mandates without obstruction, they become essential to disrupting the IFFs that sustain illegal logging networks.

Weak national implementation also undermines broader regional efforts. In 2022, the Central African Economic and Monetary Community (CEMAC) adopted a regional ban on raw timber exports. However, only Gabon and the Republic of Congo have enforced it meaningfully. Cameroon and other member states delayed action, citing fears of lost revenue and limited domestic processing capacity.[57] This situation illustrates that regional cooperation cannot

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[55] World Bank (2024, 14 October). "Gabon Economic Update 2024: Designing Fiscal Policies for Sustainable Forestry." World Bank. https://www.worldbank.org/en/country/gabon/publication/gabon-economic-update-2024-designing-fiscal-policies-for-sustainable-forestry

[56] Barnabas Zulu (2024, 23 February). "ZRA Workers Have No Capacity to Audit Mines – Chanda." News Diggers! https://diggers.news/business/2024/02/23/zra-workers-have-no-capacity-to-audit-mines-chanda/

[57] Moki Edwin Kindzeka (2023, 2 February). "Central African States Fail to Honor Timber Export Ban." Voice of America (VOA News). https://www.voanews.com/a/central-african-states-fail-to-honor-timber-export-ban-/6945074.html

succeed when national institutions are either unable or unwilling to fulfil their commitments. In the absence of strong enforcement at the national level, regional policies are mostly ineffective.

The African Union (AU) can play a central role in cultivating regional cooperation and policy alignment across the continent's timber sector. One of its flagship initiatives, the African Continental Free Trade Area (AfCFTA), aims to create a single market for goods and services and facilitate the free movement of people. Although its implementation has been slow, the agreement has shown significant promise for Africa's economic future.[58] As it evolves, it can complement national efforts by promoting minimum standards for timber certification and create positive pressure for reforms among member states.

10. Conclusion

Efforts to end the illegal trade should prioritise confronting the financial incentives and structural exclusions that have allowed the trade to persist. This means treating forest governance not as an isolated sector but as part of a larger struggle for equity and economic justice. Reforms should create pathways for legal and accessible alternatives, especially for artisanal loggers and forest-dependent communities who are excluded from the formal economy. Without this consideration, proposed solutions will only deepen inequality and push the trade further underground.

Any structural reform must also go hand in hand with integrity and accountability. So long as those in power profit from illegality, policies will not carry any weight, and institutions will not function as intended. By addressing socio-economic challenges, Africa can transform from a supplier of raw timber to a competitive exporter of finished wood products.

Award information

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[58] Boutheina Guermazi & Mona Haddad (2023, 26 July). "Africa Pursues Free Trade Amid Global Fragmentation." World Bank Blogs. https://blogs.worldbank.org/en/trade/africa-pursues-free-trade-amid-global-fragmentation

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Cybercrimes and the illicit financial flows in Myanmar

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Abstract: The rapid expansion of online gambling in Southeast Asia has created an alluring yet deceptive environment, promising financial gain while fostering fraudulent activities and illicit financial flows. This study explores the intersection of online fraudulent gambling and transnational organized crime in Southeast Asia, with a particular focus on Myanmar. Criminal syndicates exploit regulatory loopholes and weak enforcement to orchestrate scams, including rigged games, catfishing schemes, and human trafficking. The anonymity of digital platforms enables large-scale fraud, such as the "pig-butchering" scam, which inflicts severe financial and psychological harm on victims. Beyond individual losses, online scams fuel money laundering, economic destabilization, and corruption, while exacerbating social problems like addiction, debt, and family breakdown. Vulnerable groups, including the young, elderly, and low-income populations, are disproportionately affected, but even wealthy individuals from the West are targeted. Myanmar's ongoing political instability has further enabled these illicit operations, allowing criminal networks to exploit weakened regulatory structures and facilitate money laundering linked to arms and resource smuggling. This research underscores the urgent need for national, regional, and global cooperation to strengthen regulatory frameworks, enhance enforcement mechanisms, and mitigate the growing threat of online gambling-related crime in Myanmar and Southeast Asia.

Keywords:

1. Cybercrimes
2. Transnational crime
3. Money laundering
4. Myanmar

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1. Overview of online fraud and illicit financial flows in Southeast Asia

Southeast Asia has emerged as a fertile ground for transnational organized crime, with fake online casinos serving as a pivotal nexus for illicit activities (Lusthaus, 2020; OHCHR, 2023; UNODC, 2020). This region's unique blend of economic disparities, and porous borders has created a conducive environment for criminal networks to flourish. Especially, the rapid advancement of digital technology, coupled with increasing internet penetration, has facilitated the rise of online fraudulent activities (Jackson, 2024; Leo, 2024). Access to affordable smartphones and widespread internet connectivity has expanded the reach of these scams, allowing criminals to target a broader audience. The intricate interplay between these factors has resulted in a complex ecosystem where online scamming, fraud, and illicit financial flows are endemic.

Online scamming and fraud are closely intertwined with fake casinos (Kennedy & Southern, 2022; UNODC, 2024). These platforms serve as a front for a variety of criminal activities. By enticing victims to deposit funds, these operations generate substantial revenue, which is subsequently laundered through complex financial networks. The anonymity afforded by the digital realm allows perpetrators to operate with impunity, making it challenging for law enforcement agencies to disrupt their activities. These scams often involve sophisticated social engineering tactics, where perpetrators build trust with victims before defrauding them (Leo, 2024).

The operations behind these fake online casinos are typically orchestrated by transnational organized crime syndicates. These groups possess the resources, expertise, and connections to establish complex networks that span multiple countries. They often collaborate with corrupt officials to facilitate their activities and evade law enforcement. The decentralized nature of these syndicates makes it difficult to dismantle them, as they can easily adapt to changing circumstances and relocate their operations.

Illicit financial flows are a critical component of this criminal ecosystem. The proceeds of online scams and fraud are funneled through a labyrinth of financial institutions to obscure their origins. These funds are often used to finance other criminal activity, such as drug trafficking and human smuggling. The lack of robust anti-money laundering measures in some Southeast Asian countries has exacerbated the problem, allowing criminals to launder their illicit gains with relative ease. According to a report by the United States Institute of Peace, criminal organizations in Cambodia, Laos, and Myanmar are allegedly siphoning off about USD 43.8 billion annually through scams. There are over 300,000 people involved in these horrific activities (Walker, 2024).

These transnational criminal networks are centered in countries such as Myanmar, Thailand, Laos, Vietnam, and with significant influence extending into and from China, exploiting these nations' complex socio-economic and political landscapes (USIP, 2024). Money laundering has become a common tactic in the Chinese real estate market, where criminals exploit complex ownership arrangements and high-value deals to funnel illicit funds into the legitimate economy (Hogan, 2024). The convergence of online scamming, fraud, and illicit financial flows poses a significant challenge to the region's security and economic prosperity. Even not anymore on a national and regional level, it has become a global threat (USIP, 2024).

To illustrate the complex workings of these criminal networks, the consequences of their activities, and the responses required, this essay will use Myanmar as a critical case study. Myanmar's unique socio-economic context, political instability, and weak regulatory environment provide a detailed account of how transnational organized crime syndicates operate fake online casinos. By examining specific instances of fraud, the methods used for money laundering, the impact, driving forces and responses, we can better understand the broader implications for Southeast Asia. This case study will also highlight the necessary steps forward to mitigate these illicit activities.

2. Background of the study country: Myanmar

A brief profile of Myanmar is provided here to offer context. Myanmar, the second-largest country in Southeast Asia, occupies a distinctive geographical position. The country borders China, Laos, Thailand, Bangladesh, and India. Myanmar's location at the crossroads of South and Southeast Asia has endowed it with a strategic importance. Its extensive coastline provides access to vital sea lanes, while its land borders facilitate connectivity with neighboring countries. This geopolitical position has made Myanmar a historical crossroads for trade, cultural exchange, and, at times, geopolitical competition.

Myanmar's political landscape has been characterized by a tumultuous interplay of military rule and democratic aspirations (Vakulchuk et al., 2018). Since gaining independence from British colonial rule in 1948, the country has endured a complex journey marked by periods of relative stability and prolonged periods of authoritarianism.

A military coup in 1962 ushered in a protracted era of military dictatorship under General Ne Win. This period was characterized by economic mismanagement, isolationism, and widespread human rights abuses. The regime's policies fueled growing discontent among the population, culminating in mass protests in 1988 (Devi, 2014). While these demonstrations were brutally suppressed, they marked a turning point, leading to the formation of the National League for Democracy (NLD) under the leadership of Aung San Suu Kyi.

The NLD's landslide victory in the 1990 elections was annulled by the military, and Suu Kyi was placed under house arrest. Despite international pressure and sanctions, the junta maintained its grip on power for several more years. A gradual process of political liberalization began in 2011, with the formation of a nominally civilian government. However, the military retained significant control over the state, and the 2015 elections, which saw another NLD victory, failed to deliver substantive democratic reforms, including addressing the ongoing Rohingya issues (Akins, 2018).

The fragile democratic gains which fostered a moment of prosperity were shattered by a military coup in February 2021, plunging the country back into turmoil. The junta's crackdown on dissent, widespread protests, and the emergence of armed resistance groups have exacerbated the crisis. The situation remains volatile, with the military facing growing opposition domestically (Jordt et al., 2021).

2.1. How Myanmar became the hub of Kyar Phyant

Myanmar's porous borders with China and Thailand, coupled with internal political instability, have created a fertile ground for illicit activities, particularly online gambling, known locally as "Kyar Phyant," and associated financial crimes in recent decades (ISP Myanmar, 2024). Following the 2021 military coup, the State Administration Council (SAC) lost control over parts of the country, allowing scam syndicates like Kyar Phyant to operate freely in regions controlled by ethnic armed groups and border guard forces. These groups provide protection in exchange for financial payments, turning scam compounds into semi-autonomous zones.

Additionally, Myanmar’s proximity to China and Thailand makes it an ideal base for cyber fraud targeting Chinese citizens, while corrupt officials and limited international oversight enable these operations to flourish. Most recently, during 2023, these Kyar Phyant are moving to Yangon, the commercial city of Myanmar and the central city of upper Myanmar, Mandalay, flaunting their audacity by spreading their shadows to urban centers as if brazenly challenging the laws and orders. (Irrawaddy, 2024b).

2.2. What is Kyar Phyant?

The term "Kyar Phyant" is a Burmese transliteration of the Chinese term "诈骗" (zhà piàn), which directly translates to "fraud" or "scam" (ISP Myanmar, 2024). While the term originally denoted a broader spectrum of deceptive practices, it has become synonymous with the burgeoning fraudulent online gambling industry and its associated criminal activities in Myanmar.

Kyar Phyants headquarters thrive in border areas with weak regulatory frameworks and armed group control. These operations often involve criminal syndicates and rely on human trafficking for labor. The ill-gotten gains are then laundered through a network of informal money changers, real estate investments, and cryptocurrency, creating significant illicit financial flows.

2.3. Illicit activities along the Myanmar-China border

The Myanmar-China border is a hotspot for various illicit activities. The criminal groups originally emerged from the Cambodia-Thai border region, where they were predominantly involved in the gambling industry. However, following the Cambodian government's decision to shut down casinos in this area between late 2017 and 2018, these groups relocated their operations (Thul, 2019). They migrated to various regions in Myanmar, including Myawaddy, Shwe Kokko, KK Park, Laukkai, Chin Shwe Hao, Pan San, and Mong Phyak where they continued their illicit activities (ISP Myanmar, 2024).

Cross-Border gambling and criminal activities in Laukkai

Laukkai, a city in northern Shan State, is widely recognized as the gambling capital of the Kokang Autonomous Region, which shares a border with China's Yunnan Province (Fishbein & Lusan, 2024). Laukkao serves as the headquarters of the Kokang Autonomous Region, which is jointly controlled by the Myanmar military (Tatmadaw in Burmese term) and Kokang military.

The Myanmar military's regional command headquarters (DSK)[1] is stationed in Laukkai. Unlike the other major cities in Myanmar, where any form of gambling is considered illegal, the Kokang region is full of casinos (Fishbein & Lusan, 2024). With the money flowing through casinos and associated businesses, Kokang has developed modern infrastructure, including buildings, roads, and electricity, where the highest administrative organization is the Kokang Autonomous Region Management Committee.

Although the Myanmar military holds some power in Laukkai, permission to open a casino is not solely granted by the military or the Ministry of Hotel and Tourism; it must also be obtained from the Kokang Autonomous Region Management Committee. Thus, Kokang became a border city where Chinese nationals as well as Chinese residents of Myanmar go to indulge in gambling activities. Moreover, due to the lack of workers in Laukkai, where the casinos host a great number of Chinese visitors, gambling halls and hotels are recruiting and training poker workers. In this way, it has become a situation that creates opportunities to open casinos. These casinos include both legitimate and fake establishments.

The fake ones are often set up to deceive victims and evade regulatory scrutiny, typically operating under the guise of legitimate businesses while engaging in fraudulent practices. Due to this situation, young people from regional countries such as Cambodia, Laos, Thailand, and

[1] The Myanmar military has 14 regional command headquarters, referred to as "Da Sa Ka" in Burmese term. Each of these regional commands oversees military operations within its designated area in Myanmar.

Vietnam, including Myanmar young people from cities like Yangon, Mandalay and Lashio, have been lured to work in online scams that have emerged with the development of Laukkai gambling. Victims of these scams hail from various countries, including the United States, the United Kingdom, and Australia, often being deceived with promises of substantial financial returns or false romantic relationships (Clapp, 2024).

Prominent groups, such as the Wa State Army and the Kokang Group, are heavily involved in cross-border smuggling and online scam activities (Irrawaddy, 2023). Online scam syndicates operating in Kokang are primarily controlled by “the Big Four”, the richest and most powerful families in the Kokang Autonomous Region linked to Myanmar’s military (Irrawaddy, 2024a).

The rise in power and wealth of the Bai, Ming, Wei, and Liao families can be traced back to the 2009 Kokang conflict. During this conflict, the Burmese army clashed with the Phun family, the very first ruling family of the region, led by followers of Kokang ruler Phun Ndushin. Unlike Phun Ndushin, Bai Suocheng and Ming Shochin chose to align themselves with the Myanmar army, operating under its protection. According to the Global Times, the Kokang business community estimates that the annual revenue generated by the casinos owned by these four families could reach up to 10 million yuan (USD 1.4 million).

Residents and workers in Laukkai report that both the four families and the Myanmar military have been aggressively promoting the Kyar Phyant in the city. All these families have strong interest ties with the Myanmar Military. Bai Suocheng, Ming Sheok Chin, Yang Song, and Liao Da Pao have solidified their influence in Kokang by strategically positioning their descendants in various armed and political roles. In the 2010 election, Bai Suocheng was elected as a member of parliament as a candidate represented by the Union Solidarity and Development Party (USDP) and became the chairman of Kokang Autonomous Region. Ming Xue-Chang became the provincial representative of Laukkai and became the head member of Kokang Autonomous Region. Yang Song of the Wei House became Colonel Wei San of the No. 1006 Border Guard Force. Corruption among local government officials in Myanmar and China further enables these illicit activities, with specific officials and departments, including factions of the Myanmar Military and local police in Yunnan Province, China, being implicated.

Thus, the Chinese government has been paying special attention to the involvement of Chinese citizens in online money laundering gangs based on the China-Myanmar border. At the end of 2023, in the meeting between Chinese government officials and Myanmar military officials, the issues of Kyar Phyant were among the topics discussed (Zhou, 2023). Although the officials have met and discussed with each other several times, the Myanmar military side has not been able to catch the online money fraud gangs wanted by the Chinese.

However, along with China's crackdown on online money fraud gangs, family members from Ming House, Wei House and Liao House were arrested after being invited to a trade fair in China on October 1, 2023. Ming Xue-chang, Ming Guoping, Ming Julan, and Ming Zhenzhen are the principal figures behind the Kyar Phyant in northern Myanmar. The founder of the Kokang region’s Border Guard Force, who has received backing from Myanmar’s military regime, has been identified by Chinese authorities as the 'main suspect' in cybercrimes occurring in the region. Thus, an arrest warrant was issued on other senior figures allegedly involved in online scams.

Meanwhile on October 27, 2023, The Three Brothers Alliance consisted of the Rakhine Army, the Myanmar National Democratic Alliance Army, and the Taung National Liberation Army issued a joint statement on the launch of Operation 1027 to control the growing online money laundering gangs in the northeastern China-Myanmar border region and suppress the Myanmar military and subordinate militias involved (Crisis Group Asia, 2024). In 2023, after the suppression of money laundering gangs in the Wa region controlled by the Wa State Army and

Operation 1027 in the Kokang region, the money laundering gangs from northern Shan State moved en masse to the Tachilek area.

In the period of October, November and December 2023, the traffic congestion in Tachilek increased by 3-4 times due to the influx of people related to money laundering gangs. In Tachilek City, a large wall was built on the land that was previously used as a Covid-19 center, and hundreds of people and gangs of money-grubbers came in droves. In addition, within the vast acres of land owned by the ethnic armed forces and militias, Chinese people have been working on a large scale by building money laundering gangs and buildings. The Myanmar-China border remains a critical area for combating online fraud, scamming, and illicit financial flows. Although significant progress was made in 2023 and 2024, continuous efforts are needed to address the evolving nature of these crimes.

2.4. Illicit activities along the Thailand-Myanmar border

The Thailand-Myanmar border is home to several organized crime groups deeply entrenched in online fraud, scamming, and other illicit activities. The Shwe Kokko New City and KK Park are particularly notorious for their involvement in money laundering and other financial crimes. Situated on the banks of the Thaung River and just 10 miles north of the Myawaddy commercial zone, Shwe Kokko has become infamous for harboring hundreds of online fraud gangs.

Cross-Border gambling and criminal activities in Shwe Kokko

Following the Tatmadaw-affiliated Border Guard Force's (BGF)/ Karen National Army (KNA) takeover of the Shwe Kokko region, business opportunities surged, leading to the controversial Yatai New City project, a joint venture between the Chinese investment group Yatai International and the Karen BGF's Chit Lin Myain Company. In February 2017, a joint venture was established between She Zhijiang and the BGF, creating the Myanmar Yatai International Holding Group Company Limited (Myanmar Yatai) to spearhead the development of the "Yatai New City" project in Shwe Kokko. The project is directed by Saw Min Min Oo on behalf of the Karen BGF/KNA, with the Chinese consortium holding a 70 percent stake and BGF's Chilin Myain Company holding 30 percent. The consortium invested approximately 15 billion USD in the project, which also secured a Myanmar Investment Commission permit in 2018 under She Zhijiang's Cambodian alias, Tang Kriang Kai. The permit allowed for an initial investment of 22.5 million USD for the construction, operation, and leasing of high-end villas (FRONTIER, 2022; Justice for Myanmar, 2024).

Shwe Kokko is not a development zone but a shadow hub for cyber scams and illegal online gambling operations, with Myanmar Yatai profiting from these illicit businesses. The BGF/KNA benefits from these activities through various revenue streams, including taxing businesses and workers in the area. The BGF/KNA reportedly imposes a 10% tax on businesses, alongside a one-time fee of 8,890 Thai Baht (USD 264) for new workers, who are also charged a monthly fee. After rebranding as the KNA, the monthly tax on workers was increased from 1,000 Thai Baht to 2000 (USD 59), according to a Yatai notice on Telegram (Justice for Myanmar, 2024).

According to interviews conducted by the FRONTIER (2023a) with two workers in Shwe Kokko's cyber scam operations, all employees must undergo an interview with Yatai before being approved to apply at scam centers. These centers have become notorious for their illicit activities, including the widespread availability and use of drugs. Victims of scams originating from Shwe Kokko, many of whom have been sold or tortured, have been reported in over 30 countries. International governments and news outlets have raised alarms, with particular concern from China, India, Indonesia, Malaysia, Thailand, and the United States due to the involvement of individuals sought by these countries (ANN, 2022; Hunt, 2024; Irrawaddy, 2022, 2023; Naing, 2023; RFA, 2024).

Cross-Border gambling and criminal activities in KK Park

The project known as Huanya International City, located in the Karen National Union (KNU) Brigade (6) area south of Myawaddy city has been rebranded as KK Park. The groundbreaking ceremony for KK Park took place on February 10, 2020, involving Mu La Ei Ahlin and Trans-Asia International Holding Group (Thailand) Co., Ltd. A banner at the ceremony read: "KNU – Huanya Cooperative Signature and Foundation Stone Laying Ceremony, suggesting direct involvement by the ethnic armed group. Pado Saw Roja Khin, a KNU Central Executive Committee member and Head of the Department of Defense, personally attended and signed the ceremony (Justice for Myanmar, 2024).

Mu La Ei Ahlin, a company registered in Myanmar's Mon State, partnered with Trans-Asia, which is registered in Hong Kong and is reportedly a subsidiary of Huanya International Holdings Group. Despite initial claims that Mu La Ei Ahlin withdrew from the project in 2022, and was replaced by TrustStar Co., Ltd., there are allegations that this was merely a facade. According to a source within the Border Guard Force (BGF), the two companies are closely linked, with their managers having a close relationship. The source suggested that the KK Park project shares similarities with the controversial Shwe Kokko development, with Huanya remaining the driving force behind Trans Asia (FRONTIER, 2023b; Justice for Myanmar, 2024).

KK Park comprises casinos, hotels, restaurants, and nightclubs. However, these establishments have been implicated in financial scams, human trafficking, forced labor, and even the torture and killing of those who refuse to comply with the fraudulent activities. The Kyar Phyant operating within KK Park has been accused of violently punishing individuals who resist, including cutting off food supplies and committing murders. In just two years of operation, KK Park has become notorious for its involvement in human trafficking, online financial fraud, forced labor, and the trade of human body parts (Kennedy & Southern, 2022). Victims forced into Kyar Phyant are coerced into conducting online fraud, with the proceeds being funneled into KK Park's private cryptocurrency digital wallets. These funds are then transferred to digital wallets controlled by Chinese mafia networks, with one such wallet reportedly created by Wang Yi Cheng, a Chinese businessman based in Thailand. Wang Yi Cheng, is the Vice President of the Thai-Asia Economic Exchange, a Thailand-China Friendship Association. His role in facilitating these fraudulent activities highlights the deep connections between the criminal networks operating within KK Park and influential figures in the region and he has allegedly received over USD 10 million for his involvement (Justice for Myanmar, 2024). Thus, the project has become a significant hub for illicit activities, operating under the guise of legitimate business development.

Key actors of illicit activities at the China-Myanmar and Thailand-Myanmar borders**,** several organized crime groups and businesses are heavily involved in online fraud, scamming, and illicit financial flows.

2.5. Analysis of border city cases along the China-Myanmar and Thailand-Myanmar frontiers

Building on the contextual understanding of Myanmar's border dynamics, this section shifts focus to a systematic analysis of cyber scam operations proliferating along the China-Myanmar and Thailand-Myanmar borders. Unlike the previous studies, which provided historical and geopolitical context, this analysis employs a stakeholder mapping framework specifically the

Interest-Influence Matrix (Parmar et al., 2010) to identify and assess the key actors involved in these illicit economies.

The stakeholders are gathered through 40 news articles, Facebook posts and web articles published before and during 2024. Notable actors and words associated with cyber scams are shown in Figure 1 and Figure 2.

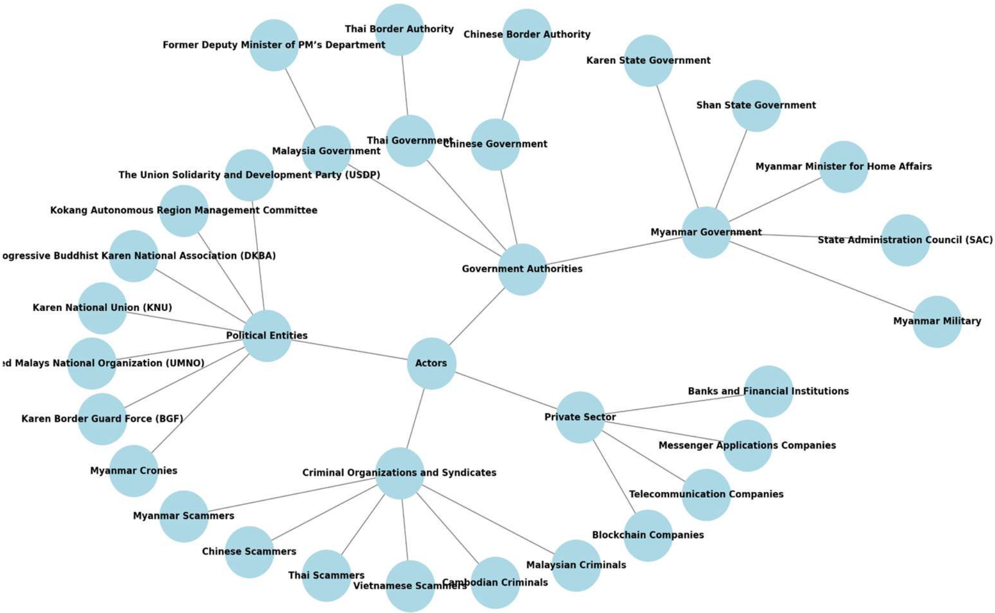


Figure 1. Key actors involved in illicit online scam activities at the Myanmar borders
Source: Authors, 2024 based on the collected 39 gray literatures.

Figure 2. Word cloud of the most frequently found words regarding the cyber scams
Source: Authors, 2024 based on the collected 39 gray literatures.

The stakeholder mapping of Myanmar's cyber scam industry highlights the key actors based on their influence over and interest in the issue. Influence refers to a stakeholder's power to control or disrupt scam operations, while interest reflects their level of involvement or impact. This classification results in four distinct groups: key players, influencers, affected parties, and bystanders.

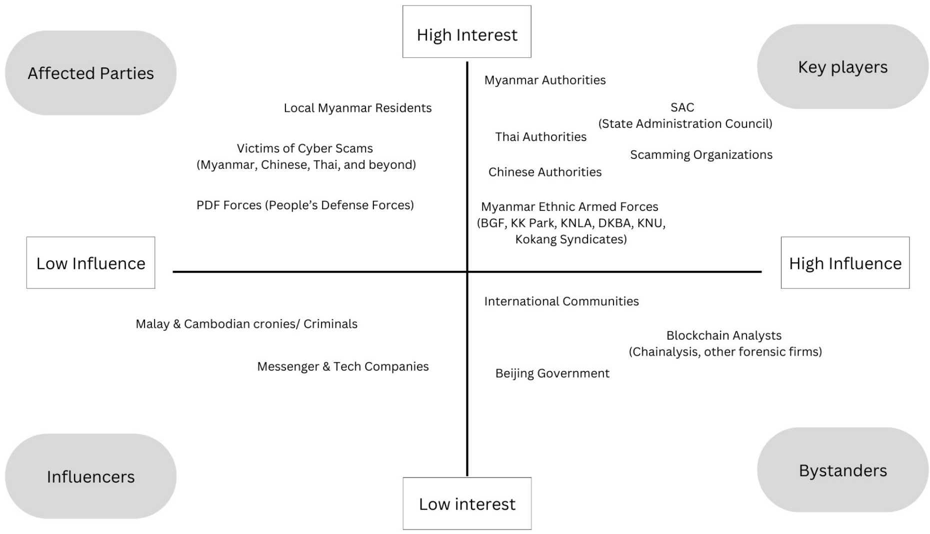


Figure 3. Interest-Influence matrix of scams key players
Source: Authors, 2024, own complication

Key Players (High Influence, High Interest) – These are the most influential and influential people who control, govern, or profit from the scam industry. The State Administration Council (SAC) which is the military government of Myanmar, Chinese officials, and Thai authorities either regulate, safeguard, or try to stop scams. Kyar Phyant and other scam syndicates operate in this area, exploiting lawless border areas. Myanmar ethnic armed organizations (EAOs) and/or SAC benefit from backing those con groups.

Influencers (High Influence, Low Interest) – The scam problem in Myanmar may not be a top priority for these actors, but they do have the ability to act. This includes Chinese authorities, international communities (U.S. authorities, international law enforcement (Interpol), etc.), and financial institutions that monitor money laundering. Although they may step in during well-publicized cases, they don't always commit resources to addressing the underlying issues.

Affected Parties (Low Influence, High Interest) – Although they cannot alter the situation, these are the people who suffer the most. Scam victims throughout Asia (and beyond), local Myanmar residents, People's defense forces (PDF) caught in conflict, and trafficked scam workers are all included in this category. They have little power to halt the operations, despite their intense concerns.

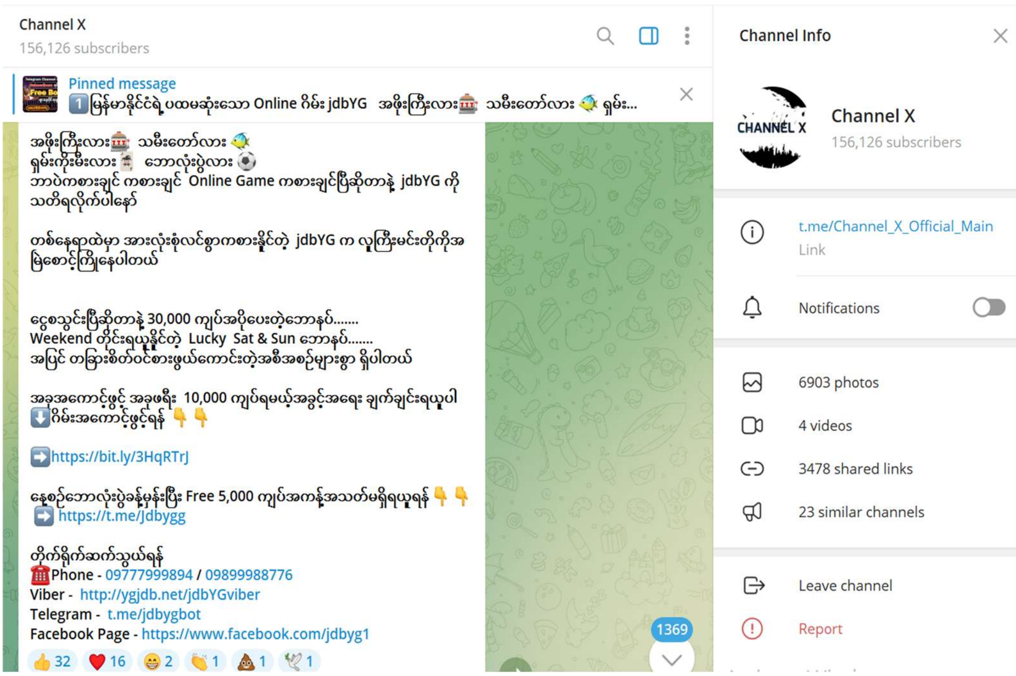
Bystanders (Low Influence, Low Interest) - These stakeholders are neither significantly impacted by nor have significant influence over the scam industry. This includes Vietnamese scammers who operate within the ecosystem but lack significant power in Myanmar, criminal organizations from Cambodia and Malay countries (who support scams but have little influence), and messaging apps (sometimes unknowingly helping scams but taking a long time to step in who do not have a major role but may indirectly support operations).

3. Scamming tactics

3.1. Social media exploitation

Kyar Phyant mainly uses two online medium platforms to find their targets. They are Facebook and Telegram. With over 18.8 million Facebook users in Myanmar as of February 2023, accounting for 33.1% of the population[2], Facebook has become a primary platform for online scammers. These groups often create multiple pages dedicated to sharing short, viral videos, dark humor, or trending content to attract followers. Embedded within these videos or in the comment sections of popular posts, scammers insert advertisements for online casinos featuring games like slots, fishing, and poker. These ads direct users to fraudulent websites designed to trap them into gambling schemes.

Since the military crackdown on social media in 2021, Telegram has gained significant traction in Myanmar[3]. Scammers exploit this platform by infiltrating or creating entertainment-focused Telegram groups. These groups often share free Hollywood and Bollywood movies, including adult content, to attract users. Some groups even charge entrance fees. Within these groups, scammers promote their fraudulent gambling sites, enticing users to play games that are rigged against them. Once a user engages, the scammers hack their personal information through malicious links. If the victim stops playing the games, the scammers threaten to contact the victim's family, friends, and colleagues, whose contact details they have already accessed. Some sample Facebook pages, groups and Telegram groups are shown (Figure 4).



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[2] Number of Facebook user in Myanmar see at https://napoleoncat.com/stats/facebook-users-in-myanmar/2024/02/
[3] About Telegram application in Myanmar https://insightmyanmar.org/all-about-burma/2022/8/29/telegram-in-burmese-language

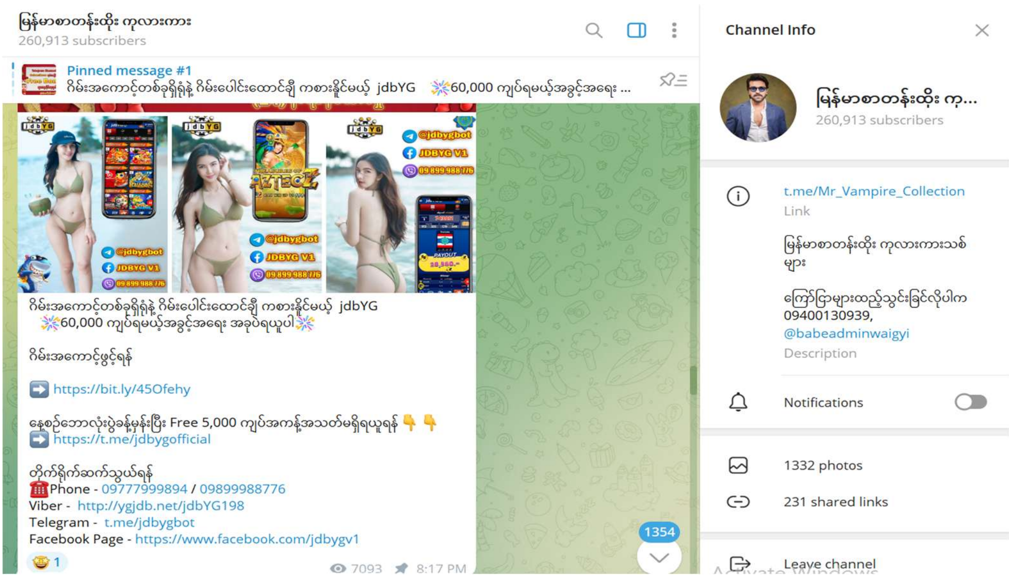

Figure 4. Screenshots of some scam’s advertisements in telegram groups in Myanmar
Source: Authors, 2024.

3.2. Romance scams

Scammers create fake online personas on social media or dating platforms to target individuals seeking romantic relationships. They invest time in building trust, often fabricating elaborate backstories. Once they have gained the victim's confidence, they begin requesting money, citing various emergencies such as medical bills or travel expenses. These scams are emotionally manipulative and often result in significant financial losses for the victims. Sometimes they appear in the form of call centre scams.

3.3. Phishing links

Another common tactic is posting malicious links in the comments of popular Facebook posts or within widely shared content. When a user clicks on these links, scammers gain access to their personal information, including contact lists and financial data. Initially, scammers may demand a small amount of money, promising not to harm the victim if paid. However, these demands typically escalate over time. If the victim refuses to pay, the scammers resort to harassment, making threatening phone calls to the victim's contacts and causing further distress.

3.4 Job scams

Scammers also exploit the desperate search for employment by creating Facebook groups that advertise job opportunities. Some of these ads explicitly state that the job involves working for online fraud operations, while others lure applicants with promises of unusually high salaries without revealing the nature of the work. Many job seekers, drawn by the potential earnings, unknowingly become involved in these illegal activities, further perpetuating the cycle of online scams and fraud.

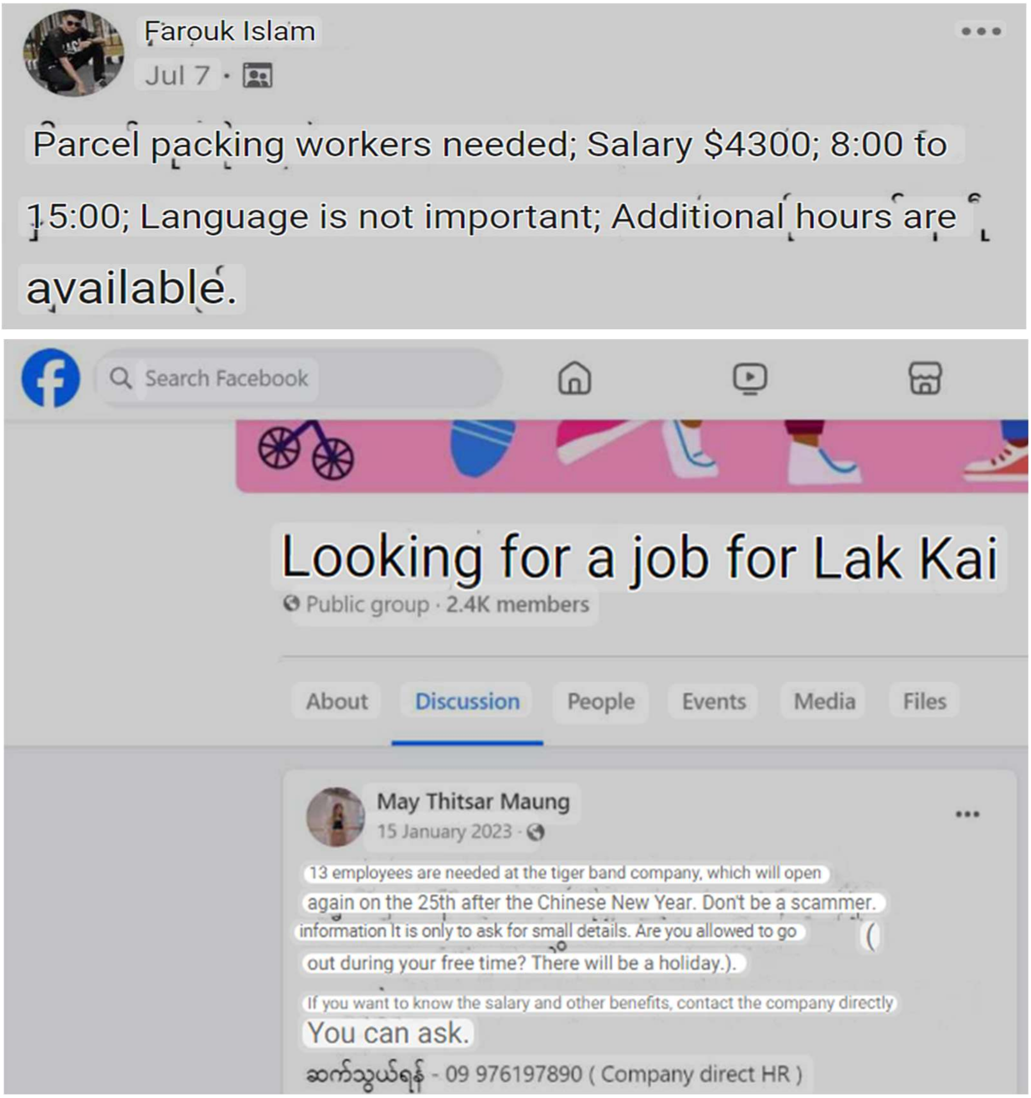

Figure 5. Screenshots and Google translation of some samples of the job scams.
Source: Authors, 2024.

4. Magnitude of Illicit financial flows and action taken against the Kyar Phyant

At both borders, substantial sums of money are involved in illicit financial flows, though exact amounts are difficult to estimate. However, on a global scale, Southeast Asian online scamming gangs stole 75 billion USD in 2020-2024, highlighting the pervasive nature of these illicit activities (Faux, 2024).

Various reports suggest that billions of dollars are siphoned off annually through these operations. For instance, a single Chinese company based in KK Park in eastern Myanmar has swindled over USD 100 million from victims through cryptocurrency scams over the past two years, according to a report by blockchain analytics firm Chainalysis and the US anti-slavery group International Justice Mission (IJM). The analysis found that Tether, a major cryptocurrency, was used for these scams, with over USD 100 million funneled into two digital wallets linked to the company (Chipolina, 2024).

Other reports indicate that the value of online fraud in Thailand alone reached 110 million baht (USD 3 million) per day in April 2023 (Tortermvasana, 2024). Kyar Phyant scammed USD 4 billion from American citizens in 2023, marking a 53% increase from the previous year (Rebane & Watson, 2024). This group's activities also benefited the Border Guard Force (BGF) in Myanmar by USD 7 million (Tower & Clapp, 2020).

Illicit activities extend beyond financial scams, encompassing severe human trafficking and forced labor. The USIP estimates the number of scammers who have been coerced into labor through online scams at approximately 100,000 in Myanmar, 120,000 in Cambodia, and 85,000 in Laos (USIP, 2024).

Authorities have made substantial progress in arresting and deporting those involved in online fraud. Over 51,000 Chinese nationals were transferred from Myanmar to China as part of Operation 1027 between 2023 and 2024[4]. Some were arrested, along with the seizure of 900 phones and other materials used in fraudulent schemes[5]. Specific efforts, such as "The Purge Operation," resulted in 26 arrest warrants and the capture of four key suspects linked to scamming activities[6]. In addition, Thailand's Anti-Money Laundering Office (AMLO) ordered the seizure and freezing of assets valued at 600 million baht (approximately USD 16.3 million)[7]. China also supported Myanmar's junta police force with a 5-million-yuan (around USD 690,000) investment to eradicate online scams and human trafficking[8].

5. Driving factors of the Kyar Phyant

This section shows the deeper structural and systemic drivers that enable the rise of networks like Kyar Phyant syndicates. These criminal ecosystems do not emerge in a vacuum. They are products of intersecting economic, political, technological, and social vulnerabilities. The following subsections examine the key enablers of this phenomenon, from entrenched poverty and widespread corruption to digital platforms, regulatory loopholes, and the global operations of transnational crime networks.

5.1. Economic disparities

In regions where the gap between the rich and the poor is wide, and economic opportunities are scarce, individuals may feel compelled to engage in illicit activities as a means of survival. As Myanmar is a least developed country and country of conflict, economic desperation often leads to the proliferation of scams, fraud, and other illegal ventures as people seek quick financial gains.

The lack of social safety nets and limited access to legitimate employment can further exacerbate the situation, driving more people towards these activities. Areas with weak

[4] https://english.news.cn/20240821/e518a7c8181a4944a496cdb8f4f42dcc/c.html
[5] Myanmar Junta Hails Chinese Scammer Arrests (irrawaddy.com)
[6] Thai Police Crack Down on Transnational Criminals in "The Purge" Operation, Seize Assets Worth Over 250 Million Baht https://thepattayanews.com/2024/04/18/thai-police-crack-down-on-transnational-criminals-in-the-purge-operation-seize-assets-worth-over-250-million-baht/
[7] Thai Police Seize 80 million Baht in Cash Sent to Myawaddy by Scammers (khaosodenglish.com)
[8] China Hands Medal and 5m Yuan to Myanmar Junta for Border Crackdown https://www.irrawaddy.com/news/myanmar-china-watch/china-hands-medal-and-5m-yuan-to-myanmar-junta-for-border-crackdown.html

financial regulations or entirely unregulated markets become hotspots for illicit financial flows and scams. In such environments, criminals can easily manipulate the system to their advantage. The absence of stringent oversight and regulatory frameworks allows illegal activities to flourish, as there are few deterrents to criminal behavior. These unregulated markets also attract international criminal networks that exploit local vulnerabilities to launder money or conduct fraud on a global scale.

5.2. Corruption and weak governance

Corruption is a significant enabler of illicit activities, particularly in regions where law enforcement and regulatory agencies are compromised. When officials are bribed or coerced into turning a blind eye to illegal activities, it creates an environment where criminals can operate with minimal fear of prosecution. Corruption can permeate various levels of government, from local police forces to national regulatory bodies, further undermining efforts to combat transnational crimes. As seen in the above, many levels of Myanmar officials are involved in these corrupt practices, exacerbating the problem, and making it more difficult to address illicit activities effectively. Law enforcement agencies that are under-resourced, poorly trained, or lacking in technological capabilities are often ill-equipped to tackle sophisticated criminal networks. These agencies may struggle to enforce laws, investigate crimes, or prosecute offenders, allowing criminal activities to continue unchecked. The lack of effective law enforcement also emboldens criminals, who perceive a low risk of being caught or punished for their actions.

5.3. Political instability

Regions affected by political instability or armed conflict often experience a breakdown in governance and law enforcement, creating a fertile ground for criminal activities. In these areas, the absence of a stable government can lead to a surge in illicit activities such as online scams, human trafficking, and illegal trade. Myanmar, as a country experiencing ongoing conflict, exemplifies how conflict zones attract transnational criminal networks that exploit the chaos to expand their operations.

5.4. Technological advances

The rapid growth of digital platforms e.g., Telegram application, WhatsApp application, Facebook, and internet technologies e.g., Starlink has revolutionized the way crimes are committed, particularly in the realm of online fraud and scams. The internet provides criminals with a global reach, allowing them to target victims across borders with relative anonymity.

The rise of social media, e-commerce, and other online services has also created new opportunities for fraudulent activities, such as phishing, identity theft, and online extortion. Cryptocurrencies and other digital financial tools have also become popular among criminals for their ability to obscure transactions and facilitate money laundering. The decentralized nature of cryptocurrencies makes it difficult for authorities to trace the flow of funds, allowing illicit financial flows to occur with minimal detection. Criminals often use these digital currencies to move money across borders, evade taxes, and finance illegal activities.

5.5. Transnational criminal networks

Sophisticated transnational criminal organizations are highly adept at exploiting global networks to facilitate a wide range of illicit activities, including online scams and fraud. These organizations often have extensive resources, connections, and expertise, enabling them to operate across multiple countries and evade detection by law enforcement. Their global reach and coordination make them formidable opponents for national and international authorities. Established smuggling routes, often used for drug trafficking, human trafficking, and arms smuggling, are also employed for other forms of transnational crime, including online scams and money laundering.

These routes involve complex logistics and coordination among various criminal groups, making them difficult to disrupt. The use of these routes allows criminals to move illicit goods and funds across borders, further complicating efforts to combat transnational crime.

5.6. Regulatory gaps

The variability in financial regulations and enforcement across different countries creates opportunities for criminals to exploit gaps in the legal system. Differences in legal frameworks, regulatory capacities, and enforcement practices can hinder effective international cooperation and enforcement. Criminals take advantage of these inconsistencies to move money, goods, and information across borders without being detected or prosecuted. Moreover, the absence of effective coordination among international and regional authorities can severely limit their ability to combat transnational crimes. Criminal networks often exploit these gaps in coordination to operate across jurisdictions, knowing that law enforcement agencies may struggle to share information, collaborate on investigations, or synchronize enforcement actions. This lack of coordination also allows criminals to use multiple countries as safe havens for their illicit activities.

5.7. Social factors

In regions where individuals face severe financial hardship, there is a higher likelihood of involvement in or victimization by online scams and other illicit activities. Financial desperation can drive people to take risks they would otherwise avoid, such as engaging in fraudulent schemes or falling prey to scam artists. This desperation is often exacerbated by economic downturns, high unemployment, and limited access to credit or financial assistance. In Myanmar and other ASEAN countries experiencing similar conditions, economic instability and inadequate social safety nets have intensified vulnerabilities.

Cultural or societal norms may tolerate or even encourage certain forms of illicit activities. For example, informal economic practices, such as unregulated trade or unofficial money transfers, may be seen as acceptable or even necessary in areas where formal financial systems are inaccessible or unreliable. Additionally, in some cultures, corruption may be viewed as a normal part of doing business, further enabling the proliferation of illicit activities. In Myanmar, corruption is often regarded as a social norm and a routine aspect of business, further entrenching illicit activities and complicating efforts to combat them.

6. Adverse effects of online scamming, and illicit financial flows

Building on the analysis of underlying drivers, this section explores the wide-ranging consequences of online scams and illicit financial flows (IFFs) linked to the Kyar Phyant networks. These activities not only destabilize local economies but also produce ripple effects across regional and global systems.

6.1. Country level

Economic impact

Illicit financial flows (IFFs) represent a significant drain on national resources. Money that could have been used for development, infrastructure, and social services is instead lost to illegal channels. This deprives governments of much-needed revenue, exacerbating fiscal deficits and limiting the ability to invest in public goods. The cumulative impact can slow economic growth and perpetuate poverty cycles. The flow of illicit funds is often associated with the rise of organized crime and corruption. As criminal networks become more entrenched, they exert greater influence over the economy, politics, and society. This leads to a vicious cycle where crime breeds more crime, undermining legal economic activities and fostering an environment where illegal activities flourish.

Additionally, workers who leave these criminal casino scams often find themselves returning to them. Many lack the necessary skills and experience for other types of employment, as their only work background involves these illegal operations. Criminal casinos not only welcome them back but also offer a quick and easy way to earn money, further trapping them in this cycle of exploitation and crime.

Social impact

The victims of online scams often suffer significant financial losses which lead to the psychological impact, including stress, anxiety, and loss of confidence. They can be profound, affecting the mental health and well-being of individuals. Online fraud and scams disproportionately affect marginalized and vulnerable populations, such as the elderly, low-income individuals, and those with limited digital literacy. As these groups are already at a disadvantage, the financial and psychological impacts of becoming a victim exacerbate existing inequalities, leading to further social stratification and potential social unrest.

6.2 Regional level

Adverse economics

Illicit financial flows infiltrate regional markets, often being funneled into sectors like real estate, leading to market distortions. Inflows of illegally obtained funds can drive up asset prices, making it difficult for legitimate businesses and individuals to compete. This influx of illicit capital creates an uneven playing field, contributing to inflated property prices and speculative bubbles, as seen in countries like China. Over time, these distortions can lead to adverse economic conditions, stunted development. Illicit activities, including online fraud and scamming, often spill over borders, complicating regional economic cooperation. Criminal networks exploit differences in national regulations and enforcement capabilities, creating transnational crime networks that are difficult to dismantle. This cross-border crime threatens regional stability and undermines efforts to build integrated, cooperative economic frameworks.

Social stability

The social and economic impact of online fraud and scamming can contribute to regional instability, particularly in areas already facing economic or political challenges. As criminal networks grow and cross borders, they destabilize not only the affected countries but also their neighbors. This instability can lead to a breakdown in regional cooperation, increased conflict, and a rise in migration and refugee flows, further straining social and economic systems.

Security

As regional crime networks become more entrenched, they pose significant challenges to regional security. These networks often involve drug trafficking, human trafficking, and other forms of organized crime, all of which require coordinated regional responses. The complexity and scale of these networks make them difficult to combat, leading to increased violence, corruption, and lawlessness across the region. Moreover, the increase in cross-border human trafficking and exploitation is a significant security and human rights issue. Regions with weak governance, poor law enforcement, and economic instability are particularly vulnerable to becoming hubs for human trafficking, leading to widespread abuse, exploitation, and a deterioration of regional security and human rights standards.

6.3. International level

Economic impact

Illicit financial flows undermine the integrity of the global financial system by introducing vast amounts of unregulated and often illegal money into circulation. This can lead to financial instability, as it distorts markets, encourages risky behavior, and undermines efforts to maintain transparency and accountability in financial transactions. Over time, these flows can weaken global financial institutions and erode confidence in international markets. The proliferation of illicit financial flows also contributes to significant global tax revenue losses. When individuals and corporations engage in tax evasion through illegal means, it reduces the funds available for public services, infrastructure, and development projects. This loss of revenue impacts both developed and developing countries, hindering efforts to address global challenges such as poverty, inequality, and climate change. For perspective, the Just Energy Transition Partnerships (JETPs)[9], a four-year initiative to support equitable energy transitions in both developing and developed countries, are valued at only USD 20 billion. In contrast, Southeast Asian online scamming gangs are estimated to have stolen USD 75 billion between 2020 and 2024, highlighting the enormous financial impact of illicit activities compared to the investments in sustainable development efforts.

Social impact

Online fraud and scamming contribute to the growth and sophistication of international crime networks. These networks are often involved in a range of illegal activities, including drug trafficking, money laundering, and cybercrime, which pose significant challenges to global security. The transnational nature of these crimes complicates efforts to combat them, requiring international cooperation and coordination. Illicit activities, particularly those involving human trafficking, forced labor, and exploitation, have significant human rights implications. These violations affect individuals and communities across the globe, undermining international human rights standards and commitments.

[9] See the details of the JETP https://www.undp.org/indonesia/projects/indonesia-just-energy-transition-partnership-jetp

Political impact
The international community faces significant challenges in regulating and combating cross-border illicit activities. Differences in national interests, legal frameworks, and regulatory capacities can hinder efforts to agree upon and enforce international standards. These challenges are compounded by the global nature of online fraud and scamming, which require robust, harmonized responses from multiple countries and international organizations.

7. How can one drive change?

The previous sections detailed the scale and complexity of online scams and illicit financial flows in Myanmar where state actors are often complicit. This section shifts from analysis to action, outlining how various actors governments, civil society, international organizations, the media, and the private business sector can work together to disrupt these networks. Addressing the problem requires coordinated, multi-level responses grounded in legal, political, will to act, and community-based strategies.

7.1. Government level actions

Myanmar
The Myanmar military, which seized power in a coup against the democratically elected government in 2021, lacks both the legal authority (*de jure*) and the political will to combat online scams, financial crimes, and illicit financial flows. In reality, the military itself is deeply involved in these illegal activities, profiting from transnational cyber scams, money laundering, and illicit trade. Any expectation that the junta would implement genuine reforms against financial crimes is unrealistic, as doing so would threaten its own interests and revenue streams.

Given this, the international community must recognize that Myanmar's military regime is not a legitimate governing authority and should not be treated as such. Instead of pressuring the junta to act, efforts should focus on isolating it economically and politically. Targeted sanctions against military leaders, financial institutions linked to the regime, and entities facilitating illicit financial flows are essential. The Financial Action Task Force (FATF), the UN, and key regional powers Association of Southeast Asian Nations (ASEAN), China, India, and Western countries must coordinate enforcement measures to cut off access to offshore accounts and criminal networks sustaining the junta.

At the same time, support must be directed toward democratic resistance forces, including ethnic resistance organizations (EROs), and civil society groups that are working to build an alternative, legitimate governance structure. International organizations such as the UN, the World Bank, and regional development banks should engage with these actors to provide technical assistance, training in financial regulation, and cybersecurity support. Strengthening border control and intelligence-sharing with Myanmar's neighbors especially Thailand, India, and China can help disrupt the military's illicit financial networks.

The goal should not be to reform the military regime but to weaken its financial and political grip and take it down while empowering democratic forces to take control of Myanmar's governance. A coordinated strategy combining economic pressure, legal enforcement, and support for opposition movements is the only viable path to addressing both financial crimes and the broader crisis in Myanmar.

To reinforce this strategy of international isolation and accountability, it is crucial to examine Myanmar's obligations under international law. Legal instruments such as the United Nations Convention against Transnational Organized Crime (UNTOC) provide a normative and institutional framework that not only highlights the regime's failures but also offers a basis for coordinated international action.

Myanmar's involvement in transnational organized crime networks, particularly in relation to the Kyar Phyant scam syndicates, must be assessed through the lens of the United Nations Convention against Transnational Organized Crime (UNTOC)[10]. Although Myanmar signed the Convention in 2004 and ratified it in 2005, there has been a conspicuous absence of genuine domestic enforcement of its provisions, especially under the post-coup military regime. The Convention imposes clear legal obligations that, if implemented, could serve as powerful tools to combat the intertwined phenomena of online scamming, corruption, and illicit financial flows. Specifically, articles 5, 6 and 9 are needed to be considered.

Article 5 of the UNTOC, concerning the criminalization of participation in organized criminal groups, directly targets the operational core of Myanmar's digital scam economy. It requires States Parties to adopt legislative or other measures to criminalize conduct by individuals who participate in or direct the activities of organized criminal groups. The structures described in this paper ranging from scam compounds to transnational networks backed by armed groups and military officials easily meet the definitional thresholds under the Convention. Myanmar's failure to prosecute such conduct or dismantle the enabling networks reflects a breach of its obligations under Article 5.

Article 6, which obligates States to criminalize money laundering, is also relevant to tackle the scams. The syndicates not only defraud victims through digital means but also launder proceeds via cryptocurrency, real estate, and informal banking systems. This article also mandates preventive measures, such as the regulation of financial institutions, customer identification, and record-keeping, all of which are currently lacking or deliberately undermined in Myanmar. As such, non-compliance with Article 6 is not merely theoretical; it has tangible effects in facilitating the recycling of criminal proceeds, including those generated from human trafficking and forced labor.

Article 9 which is about measures against corruption is also important for Myanmar where scam businesses are deeply embedded in networks of protection involving both state and non-state actors. The article requires States to take effective action to prevent, detect, and punish corruption, including through the establishment of oversight bodies. In practice, the corruption that underpins the scam economy is institutionalized, with parts of the military, border guard forces, and local officials profiting directly from the criminal enterprises. The failure to institute or empower independent anti-corruption mechanisms, therefore, constitutes a serious violation of this obligation.

Beyond treaty obligations like UNTOC, Myanmar's failure to prevent or suppress transnational organized crime may also attract responsibility under customary international law, as codified by the International Law Commission's (ILC) Draft Articles on State Responsibility[11]. Although these Articles are not a treaty, they are widely regarded as reflecting customary law and have been invoked by international tribunals including the ICJ and human rights courts. Their relevance lies in their ability to assign international legal responsibility not only for direct wrongful acts but also for complicity or failure to act.

Under Article 1, "every internationally wrongful act of a State entails the international responsibility of that State." The hosting and facilitation of organized crime, human trafficking,

[10] See the full version of the United Nations Convention against Transnational Organized Crime (UNTOC) here https://www.unodc.org/documents/middleeastandnorthafrica/organised-crime/united_nations_convention_against_transnational_organized_crime_and_the_protocols_thereto.pdf
[11] See the full version of the International Law Commission's Draft Articles on State Responsibility here https://legal.un.org/ilc/texts/instruments/english/commentaries/9_6_2001.pdf

and massive financial fraud often involving coerced labor and abuse may amount to a violation of peremptory norms (jus cogens) and human rights obligations. When state organs, such as military commands, knowingly permit or benefit from these acts, their conduct is attributed to the State itself under Article 4, which provides that the acts of any state organ are considered acts of the state under international law.

Even more directly relevant are Articles 16 and 17, which address complicity in another State’s internationally wrongful acts or the direction and control of such acts. For instance, if Myanmar’s military regime and ethnic armed organizations have knowingly allowed transnational criminal groups to operate with impunity and has materially supported their activities through official facilitation, border access, or security protection, it may be considered complicit in the resulting harm to victims both within and outside its borders. This raises the possibility that Myanmar could be held responsible not only for its own misconduct but also for the transnational harm caused by actors it aids or fails to control.

Another key provision is Article 14, which deals with continuing wrongful acts. The Kyar Phyant system is not a one-time offense; it constitutes an ongoing pattern of organized crime and systematic abuse. Continued tolerance or enabling of these crimes by Myanmar’s authorities may trigger liability for a continuing breach, requiring cessation and assurances of non-repetition. In the long term, this may open legal pathways to international claims for reparations or restitution on behalf of victims.

Furthermore, Article 41 stipulates that states shall not recognize as lawful situations created by serious breaches of peremptory norms. If it is established that Myanmar’s military regime is engaged in practices violating norms such as the prohibition of slavery or trafficking in persons, other states may be under an obligation not to recognize or cooperate with the regime reinforcing arguments for diplomatic isolation, suspension from international institutions, or even targeted interventions by bodies such as the UN Security Council. In practical terms, invoking these legal frameworks does not necessarily require a formal ICJ judgment. International tribunals, regional human rights bodies, and even domestic courts (under universal jurisdiction principles) may incorporate the ILC Draft Articles in assessing Myanmar’s liability. Advocacy organizations, transitional justice commissions, and accountability-focused UN bodies can leverage this framework to document abuses, guide sanctions regimes, and justify actions taken against Myanmar’s officials under international law.

China and Thailand

Given the regional scope of Myanmar’s scam syndicates and financial networks, particularly their links to **Chinese and Thai territory**, cross-border accountability becomes essential. As key regional actors, China and Thailand cannot remain passive observers. Both countries play a pivotal role in either enabling or disrupting the transnational criminal networks operating across their shared borders with Myanmar. Both nations must recognize that the Myanmar military is the driving force behind many illicit activities, including online scamming operations. To address these challenges effectively, regional cooperation must be contingent upon the formation of legitimate, people-elected central and regional governments in Myanmar. Efforts to improve border security, share intelligence, and conduct coordinated operations will only be effective when conducted with a government that genuinely represents the people's interests. Until such a government is established, any military-led initiative will likely be superficial and ineffective.

7.2. Communities and civil society

Grassroots action

Empowering people with digital literacy is critical to reducing the prevalence of online scams. They need to report to the police and authorities about the scam case. Informing authority and taking necessary actions is as important as returning the fraud money to them. Grassroots organizations can spearhead educational campaigns that inform the public about the risks associated with online gambling, romance scams, and phishing schemes. These campaigns should be tailored to reach different demographics, using local languages and culturally relevant messaging to maximize impact. By raising awareness, communities can become less susceptible to manipulation by online scammers. In areas where government enforcement is weak or compromised, civil society organizations can establish community watch programs. These programs can act as the eyes and ears of the community, monitoring suspicious activities and reporting them to authorities or trusted local leaders. Community-driven vigilance can be particularly effective in rural or underserved areas where scammers often target vulnerable populations. For example, there is a dedicated Facebook group[12] where victims of Kyar Phyant come together to organize, educate, and raise awareness about its threats. Currently, the group has nearly 1,000 members, and we need more community initiatives like this.

Another notable example is a Nairobi-based NGO called Awareness Against Human Trafficking (HAART) Kenya, which has adopted the UN Four P's Strategy as a guiding principle in its anti-trafficking efforts. HAART's work has benefited over a thousand survivors and connected with over one hundred people through their workshops (HAART Kenya, n.d.). Head of protection from HAART, Mercy Otieno stated that contacting and assisting Kenyans trafficked to Myanmar is significantly more challenging than for those trafficked to countries like Laos, a situation that highlights urgent calls for grassroots action within Myanmar and enhanced international collaboration (Fishbein, 2024). As a further illustration, IJM Hong Kong prioritizes public education in its efforts to raise awareness regarding modern slavery through its community-oriented approaches (IJM, n.d.). IJM's 2024 annual report states that in 2023, they assisted in freeing over 200 individuals from forced scamming, spanning multiple countries in Southeast Asia, including Cambodia, Laos, Myanmar, and the Philippines (IJMHK, 2024).

Victims of online scams often face significant financial, emotional, and social challenges. Providing support services such as legal assistance, counseling, and financial advice can help victims recover from these crimes and avoid further exploitation. Community-based support networks can also play a role in helping victims navigate the legal system and rebuild their lives.

7.3. Cybersecurity measures

Enhancing security

To combat the growing threat of online scams and cybercrime, regional governments and businesses must invest in advanced cybersecurity infrastructure. This includes deploying sophisticated threat detection systems, implementing robust data protection protocols, and regularly updating security measures to counter emerging threats. Regional organizations like ASEAN should prioritize cybersecurity discussions at their meetings, focusing on coordinated efforts to combat transnational crimes.

This could involve harmonizing laws across member states, improving cross-border enforcement, and facilitating intelligence sharing. Promoting good cyber hygiene practices is

[12] The link to this Facebook group https://shorturl.at/BXYOe

essential to reducing vulnerabilities to cybercrime. This involves educating the public and organizations on basic security measures, such as using strong passwords, enabling two-factor authentication, and recognizing phishing attempts. Regular training and awareness campaigns can reinforce these practices, helping to build a more secure online environment.

7.4. Media and journalists

Investigative reporting

Journalists and media outlets have a crucial role in uncovering and exposing online scams, bringing these activities to the public's attention. Investigative reporting can shed light on the methods used by scammers, the scale of their operations, and the impact on victims. By holding perpetrators accountable, journalists can help deter future scams and encourage authorities to act against these criminal networks. Media campaigns can also play a significant role in raising public awareness about the risks associated with online transactions.

By educating the public on how to recognize and avoid scams, the media can reduce the number of potential victims and promote safer online behavior. Given the nature of this topic, which is less covered in academic literature, nearly all the sources for this essay come from journalists and media outlets. This underscores the vital role that the media plays in addressing and understanding online scams.

7.5. International organizations

International financial institutions

Organizations like the International Monetary Fund (IMF) and World Bank can provide critical support to countries vulnerable to illicit financial flows by offering technical assistance and funding. This support can be used to strengthen financial regulations, improve enforcement capacities, and enhance transparency in financial transactions. By building the capacity of local institutions, these organizations can help create a more resilient financial system that is less susceptible to exploitation by criminal networks.

Foreign aid and assistance

Developed countries and international organizations have a role to play in providing technical assistance, funding, and expertise to countries like Myanmar. This support can be directed towards improving border security, enhancing law enforcement capabilities, and building the legal and institutional frameworks needed to combat online scams and financial crimes. By supporting local efforts, the international community can help create a safer and more stable environment in Myanmar and the surrounding region.

7.6. Private sector involvement

Financial institutions

Banks and money transfer services are at the forefront of the fight against money laundering and other financial crimes. By implementing stricter know-your-customer (KYC) protocols and closely monitoring transactions for suspicious activity, financial institutions can disrupt the flow of illicit funds. Collaborating with government agencies and international organizations, these institutions can play a key role in identifying and stopping money laundering networks associated with online scams.

Financial institutions should be required to report suspicious transactions to relevant authorities promptly. This requires establishing robust monitoring systems that can detect unusual patterns of behavior indicative of fraud or money laundering. Enhanced communication and cooperation between banks, regulators, and law enforcement agencies are essential for effective intervention. While blockchain technology and Web3 have advanced, demonstrable success stories, particularly in contexts similar to Myanmar, where crypto wallets are illegal, are still lacking. Addressing this requires cooperation from widely used local fintech services like Wave Pay and Kpay, a digital payment method from KBZ bank , also known as KBZ pay. Implementing robust KYC protocols and providing a streamlined mechanism for reporting scams with evidence would enable these platforms to track patterns and limit scammers' operational scope.

Technology companies and telecommuncation companies

Online platforms such as Facebook and Telegram that host websites or services used by scammers have a responsibility to monitor and moderate content to prevent fraud. This includes implementing user verification processes, removing, or blocking access to known scam sites, and working with law enforcement to identify and shut down illegal activities. Telecommunication companies such as Myanma Post and Telecommunications (MPT), Ooredoo Myanmar, ATOM Myanmar, and Mytel Myanmar should take active measures to block spam SMS messages. This can include identifying and investigating SIM card holders involved in scams and taking appropriate action. These companies must also invest in AI and machine learning tools to detect and prevent scams in real-time, ensuring a safer online environment for users.

8. Conclusion

The situation on Myanmar's borders has become a complex web, with multiple actors benefiting from the illicit financial ecosystem. The landscape surrounding Kyar Phyant is changing rapidly, especially since the start of 2025.

If we are to suggest the most realistic and effective solutions from our recommendations, the first and most important point is that as long as the military regime remains in power in Myanmar, these issues cannot be fully resolved. While some symptoms of the problem can be mitigated, the root cause remains. Therefore, the downfall of the regime is essential, and the international community should support Myanmar’s resistance forces—directly or indirectly—not only to address the scam crisis but also to end the broader humanitarian and political disasters created by the junta.

Second, public awareness must be raised in every country about the methods and tactics used by scammers. People should be encouraged to report scam cases, and law enforcement agencies must establish an accessible and efficient reporting system that minimizes bureaucratic barriers.

Third, social media, messaging platforms and telecommunication companies must implement stricter controls on scams, as these platforms serve as the primary channels for scam operations. Enhanced monitoring, better content moderation, and stronger cooperation with law enforcement can help disrupt scam networks at their source.

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Research Paper

Qur'anic ecological ontology, poverty, and the climate crisis: Ecological and economic correctives

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Abstract: This article argues that the Qur'an's ecological ontology, anchored in mīzān (balance), amānah (trust), and khalīfah (stewardship), and operationalised through ijtihād (independent reasoning), tafsīr (exegesis), and shūrā (consultation), constitutes a normative and policy-ready framework capable of addressing the joint crises of climate breakdown and poverty. Using close textual analysis of Qur'anic āyāt (verses) alongside classical and modern scholarship, I show how Qur'anic injunctions 'for those believe' against fasād (corruption) and isrāf (wastefulness) translate into redistributive, sufficiency-based economic model aligned with planetary limits.

Keywords:
1. Ecology
2. Islamic political economy
3. Justice
4. Poverty
5. Qur'an

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1. Introduction

The climate crisis is inseparable from the crisis of poverty. Rising temperatures, biodiversity loss, and species extinction deepen existing poverty traps, displace those with the least resilience, and consolidate wealth where fossil capital is concentrated. Extractive industrialisation and debt-driven growth ideologies render the earth a ledger, enclose commons, and externalise costs. Against this, the Qur'an, unchanged and unchangeable, articulates a theocentric ontology in which creation is a trust (amānah), ordered by balance (mīzān), with humans appointed as stewards (khalīfah). By "resolve," I mean neither technocratic quick fixes nor religious sentiment, but a jurisprudential-ethical architecture that disciplines policy: an order that constrains predation, redistributes fairly, and re-embeds economies within ecology.

From within this frame arise the guiding several intertwined research questions of the paper. First, what does Qur'anic ecological ontology—anchored in mīzān, amānah, and khalīfah, and prohibiting fasād and isrāf—offer as a structural response to ecological destruction and poverty to societies and the self? Second, how does the Qur'an's command to "give the poor their due on the day of harvest" (6:141)[1] translate into distributive justice in practice, embedding redistribution at the point of production rather than as an afterthought? Third, how should the Qur'an's recognition of animals as umam amthālukum (nations "like yourselves," 6:38)[2] reshape understandings of justice across species, making biodiversity loss and habitat destruction questions of moral community and poverty alike? Fourth, why have the leading torchbearers Sunni and Shia states—Saudi Arabia and Iran—betrayed these mandatory principles intrinsic to the faith, subordinating stewardship to fossil capital and what are the implications for poverty and justice in their societies?

2. Theocentric worldview and human stewardship

The Qur'an denies human divinisation. Even prophets, Jesus and Muhammad, are "only messengers" (Qur'an 5:75[3]; 18:110[4]). Worship is direct: "You alone we worship and You alone we ask for help" (Qur'an 1:5[5]). Humanity's dignity is epistemic and moral: created "in the best of forms" (Qur'an 95:4–6[6]), taught "the names" (Qur'an 2:31–33[7]), inaugurated by the command "Read/Recite" (iqraʾ) (Qur'an 96:1–5[8]). Knowledge is thus an obligation: it must be enacted as justice. Believers are enjoined to "be just; that is nearer to God-consciousness" (Qur'an 5:8[9]), and to witness even against themselves, "whether rich or poor" (Qur'an 4:135[10]). These verses establish human beings as stewards accountable for right-ordering the social and natural worlds. They also ground the paper's method: revelation will not recur (Muhammad as

[1] Asad, Qurʾān 6:141 "For it is He who has brought into being gardens – [both] the cultivated ones and those growing wild – and the date-palm, and fields bearing multiform produce, and the olive tree, and the pomegranate: [all] resembling one another and yet so different! Eat of their fruit when it comes to fruition, and give [unto the poor] their due on harvest day. And do not waste [God's bounties]; verily, He does not love the wasteful."

[2] Asad, Qurʾān 6:38 "Although there is no beast that walks on earth and no bird that flies on its two wings which is not [God's] creature like yourselves: no single thing have We neglected in Our decree. And once again: unto their Sustainer shall they [all] be gathered."

[3] Asad, Quran 5.75 "The Christ, son of Mary, was but an apostle: all [other] apostles had passed away before him; and his mother was one who never deviated from the truth; and they both ate food [like other mortals]. Behold how clear We make these messages unto them: and then behold how perverted are their minds!"

[4] Asad, Quran 18:110 "Say [O Prophet]: 'I am but a mortal man like all of you. It has been revealed unto me that your God is the One and Only God. Hence, whoever looks forward [with hope and awe] to meeting his Sustainer [on Judgment Day], let him do righteous deeds, and let him not ascribe unto anyone or anything a share in the worship due to his Sustainer!'"

[5] Asad, Quran 1:5 "Thee alone do we worship; and unto Thee alone do we turn for aid."

[6] Asad, 95:4–6; Verily, We create man in the best conformation, and thereafter We reduce him to the lowest of the low; excepting only such as attain to faith and do good works: and theirs shall be a reward unending."

[7] Asad, Quran 2:31–33 "And He imparted unto Adam the names of all things; then He brought them within the ken of the angels and said: 'Declare unto Me the names of these [things], if what you say is true.' "They replied: 'Limitless art Thou in Thy glory! No knowledge have we save that which Thou hast imparted unto us. Verily, Thou alone art all-knowing, truly wise.' Said He: 'O Adam, convey unto them the names of these [things].' And as soon as [Adam] had conveyed unto them their names, [God] said: 'Did I not say unto you, "Verily, I alone know the hidden reality of the heavens and the earth, and know all that you bring into the open and all that you would conceal"?'

[8] Asad, Quran 96:1–5 "READ in the name of thy Sustainer, who has created, created man out of a germ-cell, READ—for thy Sustainer is the Most Bountiful One, who has taught [man] the use of the pen, taught man what he did not know."

[9] Asad, Quran 5:8 "O YOU who have attained to faith! Be ever steadfast in your devotion to God, bearing witness to the truth in all equity; and never let hatred of anyone lead you into the sin of deviating from justice. Be just: this is closest to being God-conscious. And remain conscious of God: verily, God is aware of all that you do."

[10] Asad, Quran 4:135 "O YOU who have attained to faith! Be ever steadfast in upholding equity, bearing witness to the truth for the sake of God, even though it be against your own selves or your parents and kinsfolk. Whether the person concerned be rich or poor, God's claim takes precedence over [the claims of] either of them. Do not, then, follow your own desires, lest you swerve from justice: for if you distort [the truth], behold, God is indeed aware of all that you do.

Khatam an-Nabiyyīn), but reason (ʻaql) and ijtihād, institutionalised through tafsīr and shūrā, carry principles into new circumstances, including contemporary environmental harms and poverty's engineered scarcity.

The Qur'an itself frames its guidance as universal, not parochial. In the opening Fātiḥa, humanity is taught to declare: "Guide us onto the straight path" (Qur'an 1:5–6[11]). The invocation does not delimit the "straight path" to one religious community; rather, it situates reliance and orientation directly in the Creator, open to all who seek justice and balance. This universality is reinforced by the Qur'an's insistence that "there shall be no coercion in matters of faith" (Qur'an 2:256[12]). Together, these verses establish that the Qur'anic ontology of trust (amānah), balance (mīzān), stewardship (khalīfah), and prohibition of corruption (fasād) is not a proprietary ethic for Muslims alone but guidance intended for the world. Indeed, the Qur'an stipulates that faith must be sought "in the creation of the heavens and the earth … are signs for those who think." (Qur'an 3:190-191).

Muhammad Asad's[13] rendering of the famous "Light Verse" (āyat al-nūr), the lamp of divine truth is described as being "lit from a blessed tree—an olive tree that is neither of the east nor of the west" (Qur'an 24:35[14]). This imagery, as Asad notes, signifies a truth that transcends geography and sectarian ownership, is symbolic of nature itself and a source of illumination that cannot be monopolised by any one people or polity.

In this sense, Qur'anic ecological ontology is not dependent on being advanced by a "Muslim-led" nation: its validity and relevance are universal, and the divine measure of balance (mīzān), trust (amānah), and justice speaks to all communities, wherever ecological and social integrity are at stake. But for Muslims, to knowingly violate the trust and balance inscribed in both the written *ayah* (the revealed word) and the living *ayah* (the divinely created earth) is, in essence, a negation of faith.

[11] Asad, Quran 1:5-6 "Thee alone do we worship; and unto Thee alone do we turn for aid. Guide us the straight way."

[12] Asad, Quran 2:256 "THERE SHALL BE no coercion in matters of faith. Distinct has now become the right way from [the way of] error: hence, he who rejects the powers of evil and believes in God has indeed taken hold of a support most unfailing, which shall never give way: for God is all-hearing, all-knowing."

[13] Saudi Arabia formally banned Asad's Qur'an translation, originally sponsored by the Muslim World League, already in 1974, largely on grounds of "creedal divergences" from the Salafi-Wahhabi orthodoxy, particularly objections to his rationalist exegeses and footnotes that some scholars deemed heterodox. In place of Asad's version, the state elevated and broadly disseminated a doctrinally aligned translation (such as the Hilali–Khan "Noble Qur'an"), embedding Saudi's official interpretations within the text of the Qur'an itself to ensure conformity with the kingdom's religious ideology which included references holy 'wars'. We rely on Asad's work precisely because of his exceptional linguistic scholarship, the absence of personal comments within verses, his proficiency in Hebrew and Aramaic enriched his engagement with Semitic root-structures, and his years living among nomadic Arab tribes gave him intimate access to vernacular Arabic idioms, making his translation uniquely sensitive to both classical and colloquial registers. Further, Hilali–Khan's reads the Revelation as a static ledger, a closed record of injunctions policed by the Saudi's-approved doctrine rather than a breathing discourse of divine signs.By contrast, Asad's Qur'an restores the text's pulse—each *ayah* a living sign mirrored in earth and its living. In Asad's vision, the ocean, sky, and all creatures read as verses in motion, demanding a protection of the ecology in order to honor one's faith.

[14] Asad, Quran 4:35 "God is the Light of the heavens and the earth. The parable of His light is, as it were, that of a niche containing a lamp; the lamp is [enclosed] in glass, the glass [shining] like a radiant star: [a lamp] lit from a blessed tree - an olive-tree that is neither of the east nor of the west the oil whereof [is so bright that it] would well-nigh give light [of itself] even though fire had not touched it: light upon light! God guides unto His light him that wills [to be guided]; and [to this end] God propounds parables unto men, since God [alone] has full knowledge of all things."

3. Justice, knowledge, and poverty

Justice in the Qur'an is distributive and procedural. It demands full measure and weight (Qur'an 6:152[15]) and refuses partiality "even if against yourselves" (Qur'an 4:135[16]). Economic justice is ecological: the poor are due their share "on the day of harvest" (Qur'an 6:141[17]); consumption is seasonal and local; waste (isrāf) is condemned for, "indeed, the wasteful are brothers of the devils" (Qur'an 17:27[18]). Asad's note explains the context of wasteful as including the misuse of resources. The prohibition of isrāf integrates sufficiency with dignity: a paradigm where poverty alleviation is not afterthought or charity, but structural design. Using Sen's framing of justice as the expansion of substantive freedoms does correlate in principle and practice with the Qur'anic model, insofar as both prioritize concrete capabilities—security, livelihood, health, and dignity—over abstract measures of growth (Sen, 1999).

If poverty is enforced unfreedom for the powerful, then fasād, the violation of order, is the mechanism and magnifies it: corruption on land and sea "because of what people's hands have wrought" (Qur'an 30:41[19]) signals the intersection of ecological damage and social harm. The Qur'an's stance is categorical: "Do not spread corruption in the earth after it has been set in order" (Qur'an 7:56[20]) for "Allah does not love corruption" (Qur'an 2:205[21]) – contextually described by Asad as disturbing the balance. Fasād is not merely a moral disorder; it is also ecological ruin, soil depletion, water contamination, habitat collapse, whose costs are regressive, borne first and most by the poor.

4. Qur'anic ecological ontology (mīzān, amānah, khalīfah, fasād)

Surah al-Raḥmān inscribes the blueprint of creation: "The sky, He raised it and set the balance (mīzān), so that you do not transgress in the balance; establish weight in justice, and do not make deficient the balance" (Qur'an 55:7–9[22]). Mīzān is not metaphor alone; it is law, cosmic, ecological, economic. Humanity is appointed khalīfah, "successive authority on earth" (Qur'an

[15] Asad, Qur'an 6:152 ""And do not touch the substance of an orphan—save to improve it—before he comes of age. And give full measure and weight, with equity: [however,] We do not burden any human being with more than he is well able to bear. And when you voice an opinion, be just, even though it be [against] one near of kin. And [always] observe your bond with God: this has He enjoined upon you, so that you might keep it in mind."

[16] Asad, Quran 4: 135 "O you who have attained to faith! Be ever steadfast in upholding equity, bearing witness to the truth for the sake of God, even though it be against your own selves or your parents and kinsfolk. Whether the person concerned be rich or poor, God's claim takes precedence over [the claims of] either of them. Do not, then, follow your own desires, lest you swerve from justice: for if you distort [the truth], behold, God is indeed aware of all that you do."

[17] Asad, Quran 6:141 |And He it is who has brought into being gardens—[both] the cultivated ones and those growing wild—and the date-palm, and fields with produce of all kinds, and the olive tree, and the pomegranate: [all] resembling one another and yet so different! Eat of their fruit when they come to fruition, but on the day of harvest render therefrom what is due [unto the poor]; and do not waste [God's bounties]: verily, He does not love the wasteful!"

[18] Asad, Quran 17:27 "Verily, the wasteful are brethren of the satans; and Satan is ever ungrateful to his Sustainer."

[19] Asad, Qur'an 30:41 "Corruption has appeared on land and in the sea as an outcome of what men's hands have wrought: and so He will let them taste [the evil of] some of their doings, so that they might return [to the right path]."

[20] Asad, Qur'an 7:56 "And do not spread corruption on earth after it has been so well ordered: and call unto Him with fear and hope—for, verily, God's mercy is ever near unto the doers of good!"

[21] Asad, Qur'an 2:205 "And when he turns away [from you], he hastens through the land to spread corruption therein and to destroy crops and progeny: but God does not love corruption.

[22] Asad, Qur'an 55:7–9 "And the sky has He raised high, and has established the balance (mīzān), so that you might not transgress the balance: weigh, therefore, [your deeds] with equity, and do not upset the balance!"

2:30[23]; see also 6:165[24]; 38:26[25]), and entrusted with an amānah that even mountains declined to bear (Qur'an 33:72[26]). Asad reads the trust as moral agency and responsibility, not dominion: the earth is not property but a deposit, its integrity owed to the Giver. Stewardship thus binds agriculture, trade, and governance to balance; to disturb the order is to oppose the wisdom inscribed in creation. The Qur'an's eschatological warnings make this political: past nations, 'Ād, Thamūd, Pharaoh, violated the balance and met ruin (Qur'an 7:85–86[27]). The text calls for cultivation without ruin (imārat al-arḍ) (Qur'an 11:61[28]) and for judging in truth (Qur'an 38:26[29]). Where power and wealth are unequal, responsibility is heavier (Qur'an 6:165[30]). The ecological injunctions reach into the granularity of rural life such as, "Eat of their fruit in season and give the poor their due on the day of harvest, and do not waste" (Qur'an 6:141[31]), binding livelihoods to justice, sufficiency, and care. Asad's Qur'an — banned by Saudi Arabia — restores God's sovereignty to its absolute plane, where no monarch, cleric, or ideology can mediate divine authority. The mīzān is law, not metaphor; imbalance—whether political or economic—is a breach of creation's order.

Saudi Arabia's monarchy rule and Iran's priest-like rule – called Ayatollah or Supreme Leader – are both human inventions that claim what belongs only to God. "To transgress the balance" (Qur'an 55:8[32]) is to make religion serve domination rather than justice. Asad reads revelation as emancipation from all earthly absolutisms royal or revolutionary. The Qur'an's equity is not delegated power but direct accountability to the Creator alone. Every hierarchy that sanctifies itself becomes a form of shirk—the association of partners with God in command. In Asad's rendering, the Qur'an dismantles both throne and pulpit when they pretend to guard the balance they have already broken.

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[23] Asad Qur'an 2:30 "And lo! Thy Sustainer said unto the angels: 'Behold, I am about to establish upon earth one who shall inherit it (a khalīfah).' They said: 'Wilt Thou place on it such as will spread corruption thereon and shed blood—whereas it is we who extol Thy limitless glory, and praise Thee, and hallow Thy name?' [God] answered: 'Verily, I know that which you do not know."

[24] Asad Qur'an 6:165 "For, He it is who has made you inherit the earth, and has raised some of you by degrees above others, so that He might try you by means of what He has bestowed upon you. Behold, thy Sustainer is swift in retribution—yet, behold, He is indeed much-forgiving, a dispenser of grace."

[25] Asad Qur'an 38:26 "O David! Behold, We have made thee a [khalīfah] on earth: judge, then, between men in justice, and do not follow [thy own] desires, lest they lead thee astray from the path of God."

[26] Asad Qur'an 33:72 "Verily, We did offer the trust (amānah) to the heavens, and the earth, and the mountains; but they refused to bear it, and were afraid of it. Yet man took it upon himself—for, verily, he has always been prone to be most unjust [to himself], most ignorant [of its meaning]."

[27] Asad, Qur'an 7:85–86 "And unto [the people of] Madyan [We sent] their brother Shuʿayb. He said: 'O my people! Worship God [alone]: you have no deity other than Him. Clear evidence of the truth has now come unto you from your Sustainer: give, therefore, full measure and weight, and do not deprive people of what is rightfully theirs; and do not spread corruption on earth after it has been so well ordered: this will be for your own good, if you would but believe!"

[28] Asad, Qur'an 11:61 –"And unto [the tribe of] Thamūd [We sent] their brother Ṣāliḥ. He said: 'O my people! Worship God [alone]: you have no deity other than Him. He it is who brought you into being out of the earth, and made you thrive thereon. Ask, then, His forgiveness, and turn towards Him in repentance: for, verily, my Sustainer is ever-near, responding [to all who call unto Him]!'"

[29] Asad, Qur'an Qur'an 38:26 "O David! Behold, We have made thee a [khalīfah] on earth: judge, then, between men in justice, and do not follow [thy own] desires, lest they lead thee astray from the path of God."

[30] Asad, Qur'an 6:165 "For, He it is who has made you inherit the earth, and has raised some of you by degrees above others, so that He might try you by means of what He has bestowed upon you. Behold, thy Sustainer is swift in retribution—yet, behold, He is indeed much-forgiving, a dispenser of grace."

[31] Asad, Qur'an 6:141 "And He it is who has brought into being gardens—[both] the cultivated ones and those growing wild—and the date-palm, and fields with produce of all kinds, and the olive tree, and the pomegranate: [all] resembling one another and yet so different! Eat of their fruit when they come to fruition, but on the day of harvest render therefrom what is due [unto the poor]; and do not waste [God's bounties]: verily, He does not love the wasteful!"

[32] Asad, Qur'an 55:7–9 "And the sky has He raised high, and has established the balance (mīzān), so that you might not transgress the balance: weigh, therefore, [your deeds] with equity, and do not upset the balance!"

5. Animals as nations (umam amthālukum)

The Qur'an extends the moral community beyond the human: "There is no creature on the earth nor bird that flies with its two wings but they are nations like you (umam amthālukum). We have neglected nothing in this Book; then, unto their Sustainer they shall be gathered" (Qur'an 6:38[33]). Animals glorify God in forms we may not perceive (Qur'an 24:41[34]). Even the least visible are honoured: the ant warns its community (Qur'an 27:18[35]), the bee receives inspiration and yields healing (Qur'an 16:68–69[36]), and cattle are named for warmth, sustenance, and beauty (Qur'an 16:5–6[37]).

Notably, the dog of the Companions of the Cave is explicitly remembered across multiple verses as the righteous' companion—"their dog stretching forth its forelegs" (Qur'an 18:18[38]) and again in the verse recounting differing reports of their number (Qur'an 18:22[39]) marking the creature's companionship as honored, important and dignified in verses. Read together, these passages treat non-human beings as organised communities bearing moral and legal significance; Asad's take on *umam* underscores "collectivities" with order and divine purpose, not mere aggregates. Despite this reverence, in many Muslim cultures, dogs are traditionally viewed as ritually impure (*najis*), leading to their avoidance in domestic and religious spaces.

The tribe of Thamūd "cruelly slaughtered the she-camel which God had sent as a token of His grace" (Qur'an 91:13), an act Asad reads as a violation of divine trust in creation, thus breaching the Qur'anic ontology that binds ethical order to ecological stewardship. In Asad's rendering, God sent Ṣāliḥ to Thamūd with a clear signl: "let her graze on God's earth and do not harm her," with water to be shared by turns (Qur'an 7:73, 26:155–156, 54:28). Thamūd hamstrung the camel in defiance (Qur'an 7:77; 54:29; 91:14), whereupon they were overtaken by the violent earth-tremor (*al-ṣayḥah*, *al-rajfah*), left lifeless in their dwellings (Qur'an 7:78–79). In his notes, Asad reads the camel as a moral-ecological test, a curb on monopolizing a scarce commons (water) and a token of divine trust—so the tribe's fate signifies that violating the sanctity of creation and the justice of shared resources invites collective ruin

[33] Asad, Qur'an 6:38 "although there is no beast that walks on earth and no bird that flies on its two wings which is not [God's] creature like yourselves: no single thing have We neglected in Our decree. And once again: Unto their Sustainer shall they [all] be gathered.

[34] Asad, Qur'an 24:41 "ART THOU NOT aware that it is God whose limit-less glory all [creatures] that are in the heavens and on earth extol, even the birds as they spread out their wings? Each [of them] knows indeed how to pray unto Him and to glorify Him; and God has full knowledge of all that they do:"

[35] Asad, Qur'an 27:18 "till, when they came upon a valley [full] of ants, an ant exclaimed: 'O you ants! Get into your dwellings, lest Solomon and his hosts crush you without [even] being aware [of you]!'"

[36] Asad, Qur'an 16:68–69 "And [consider how] thy Sustainer has inspired the bee: 'Prepare for thyself dwellings in mountains and in trees, and in what [men] may build [for thee by way of hives];'
and then eat of all manner of fruit, and follow humbly the paths ordained for thee by thy Sustainer.' [And lo!] there issues from within these [bees] a fluid of many hues, wherein there is health for man. In all this, behold, there is a message indeed for people who think!"

[37] Asad, Qur'an 16:5–6 "And He creates cattle: you derive warmth from them, and [various other] uses; and from them you obtain food; and you find beauty in them when you drive them home in the evenings and when you take them out to pasture in the mornings."

[38] Asad, Qur'an 18:18 "And thou wouldst have thought that they were awake, whereas they lay asleep. And We caused them to turn over repeatedly, now to the right, now to the left; and their dog [lay] on the threshold, its forepaws outstretched. Hadst thou come upon them [unprepared], thou wouldst surely have turned away from them in flight, and wouldst surely have been filled with awe of them."

[39] Asad Qur'an 18:22 "[And in times to come] some will say, '[They were] three, the fourth of them being their dog,' while others will say, 'Five, with their dog as the sixth of them'—idly guessing at something of which they can have no knowledge—and [so on, until] some will say, '[They were] seven, the eighth of them being their dog.' Say: 'My Sustainer knows best how many they were. None but a few have any [real] knowledge of them

Scholarly treatments converge: Foltz shows that classical and contemporary Muslim sources preserve robust resources for animal ethics grounded in revelation and practice (Foltz, 2006), while Tlili's close study of the Qur'an demonstrates that animals are addressed, portrayed as worshippers, and granted narrative agency, all of which push against anthropocentric readings (Tlili, 2012). In this light, biodiversity loss is not a statistic but the annihilation of nations. Wildlife poaching, breeding for parts or zoos — even the use of animals in biomedical experiments — represents a theological, legal-ethical, and ecological wrong with direct justice implications for human and non-human communities alike.

6. Discussion: Qur'anic ecological ontology as a poverty corrective

Qur'anic ecological ontology corrects poverty at the level of structure. First, it subordinates the economy to ecology: wealth is trust, not absolute title; natural systems possess prior claims. Second, it embeds redistribution into productivist cycles: "give the poor their due on the day of harvest" (Qur'an 6:141). Third, it limits consumption through legal-ethical constraints on isrāf and through obligations of just measure (Qur'an 6:152; 17:27). Fourth, it recognises multi-species justice (Qur'an 6:38; 24:41), widening the horizon of harm and benefit. Finally, it demands procedural accountability: witnesses speak truth "whether rich or poor" (Qur'an 4:135), rulers judge "in truth" (Qur'an 38:26), and cultivation avoids ruin (Qur'an 11:61).

Operationally, this means theory becomes policy via ijtihād and shūrā. Scholars derive rulings from principles: heavy oil dependence that damages climate and health contravenes the prohibition on fasād; single-use plastics and planned obsolescence violate bans on isrāf; debt-driven growth that extracts from the poor while exhausting ecosystems conflicts with amānah and mīzān. Through shūrā, communities translate rulings into law: renewable energy incentives, bans on destructive mining, restoration mandates, ethical finance, enforceable animal-welfare protections, fair-trade arrangements. This is not an import of secular environmentalism into Islam; it is Islam's own ontology operationalised.

Empirically, each pillar of this ontology tracks high-confidence evidence on poverty. Pollution is a first-order poverty amplifier: the Lancet Commission's update attributes 9 million deaths annually, one in six worldwide to pollution, with the heaviest burdens falling on low- and middle-income populations (Fuller et al., 2022). This locks households into medical impoverishment and lost earnings. Climate impacts already erode physical security, sustenance and livelihoods of the poorest across regions (heat, drought, floods), with IPCC finding observed and projected losses concentrated among vulnerable groups without adaptation support (IPCC 2022, ch. 8, Executive Summary).

Forest integrity functions as a poverty buffer and income base CIFOR syntheses show forests provide safety-nets and cash pathways; conversely, enclosure/clearance removes those protections and deepens deprivation (Angelsen & Wunder, 2003). In fossil-frontier contexts, oil contamination externalises costs onto the poorest: UNEP's Environmental Assessment of Ogoniland documents persistent soil and water pollution, impaired fisheries, and long-horizon health risks that depress incomes and demand costly remediation (UNEP, 2011). Even the World Bank's Shock Waves report demonstrates that, without ecologically disciplined policy, climate change becomes a structural obstacle to poverty eradication, while ecologically aligned measures (clean energy, resilient infrastructure, targeted transfers) deliver joint climate–poverty gains (Washington, DC: World Bank, 2016).

7. Islam's ecological ontology beyond capitalism and communism

Islam's ecological ontology diverges fundamentally from the dominant secular ideologies of modernity, capitalism and communism. Both traditions, though opposed in their rhetoric, rest upon anthropocentric and materialist premises that instrumentalise nature as passive 'dead' resource for production and accumulation. Capitalism treats the earth as an infinite ledger for profit; communism, while redistributive in intention, remains premised on industrial mastery over the natural world. As Nasr observes, both are "products of the desacralisation of nature," stripping creation of divine presence and transforming it into an object of conquest (Nasr, 1968).

In contrast, the Qur'an frames the earth as amānah, a trust, not subject to commodification or absolute ownership. Qur'anic injunctions against fasād (Qur'ān 30:41, 7:56) criminalise environmental destruction irrespective of private or collective ownership structures. Hallaq has argued that Islamic ontology resists modern sovereignty itself, for in Islam "law is not a human artefact but a divine measure," placing limits on economic and political authority (Hallaq, 2013). Where capitalism maximises growth and communism maximises production, Qur'anic ontology enshrines mīzān (balance) (Qur'ān 55:7–9), compelling sufficiency and restraint.

Özdemir stresses that the Qur'anic vision "is not anthropocentric but theocentric," where humans are khalīfah, stewards among other nations of creation, accountable for their disruption (Özdemir, 2003). This renders both capitalist exploitation and communist extractivism violations of divine trust. Foltz reinforces this by showing how animals and ecosystems are recognised as moral communities (Qur'ān 6:38), rendering their annihilation a form of injustice beyond human class relations (Foltz, 2006). The Qur'an, unlike secular ideologies, universalises justice across species and generations.

Moreover, as Rahman notes, Islam insists on the use of ʿaql (reason) to apply principles to contemporary conditions, meaning its ontology is dynamic, not nostalgic (Rahman, 1982). The result is a paradigm where poverty alleviation is inseparable from ecological justice, and where economic systems are embedded within, rather than above, living creation. Sardar calls this a "radical epistemological break," challenging both neoliberal capitalism and statist communism by restoring nature as subject, not object (Sardar, 1985). Islam's ecological ontology is thus not a third path between capitalism and communism; it is a categorical rupture. It demands a dramatic revaluation of the earth as a living amānah, whose balance must be maintained, whose nations must be protected, and whose resources must be distributed justly. This ontology displaces the growth imperative and reframes prosperity as sufficiency within divine limits.

8. Fossil fuels and the misinterpretation of Islam's ecological ontology by Sunni and Shia leaders

The Qur'an's ecological ontology, anchored in mīzān, amānah, and khalīfah, has been persistently eclipsed in Muslim-majority polities by the logics of fossil capital. Whether Sunni or Shīʿa, states have bent theology to hydrocarbons, reinterpreting stewardship as dominion and balance as bounty to be exploited. Despite explicit Qur'anic directives to uphold mīzān (Qur'an 55:7–9[40]), avoid fasād (Qur'an 30:41[41]), and treat the earth as amānah (Qur'an 33:72[42]) many

[40] Asad, Qur'an 55:7–9 "And the sky has He raised high, and has established the balance (mīzān), so that you might not transgress the balance: weigh, therefore, [your deeds] with equity, and do not upset the balance!"

[41] Asad, Qur'an 30:41 "Corruption has appeared on land and in the sea as an outcome of what men's hands have wrought: and so He will let them taste [the evil of] some of their doings, so that they might return [to the right path]."

[42] Asad, Qur'an 33:72 "Verily, We did offer the trust (amānah) to the heavens, and the earth, and the mountains; but they refused to bear it, and were afraid of it. Yet man took it upon himself—for, verily, he has always been prone to be most unjust [to himself], most ignorant [of its meaning]."

Muslim-majority economies operate on extractive hydrocarbon models. Oil wealth finances authoritarian consolidation while externalising social-ecological costs onto marginalised communities.

As Jones shows in his study of Saudi Arabia, modern sovereignty was built by welding oil to water, producing an "infrastructure state" where resources became instruments of control (Jones, 2010). Hydrocarbon wealth enabled regimes to finance authoritarian consolidation, projecting religious legitimacy while systemically violating Qur'anic injunctions against fasād (Qur'ān 30:41) and isrāf (Qur'ān 17:27). Possession of the Two Holy Mosques grants not only spiritual prestige but geopolitical immunity, turning Mecca itself into an instrument of legitimacy. By banning Asad's version of the Qur'an, mass printing and global distribution of the Hilali-Khan Qur'an which enables monarchy, faith is recast as an apparatus of state ideology.

The Qur'an is reduced and reauthored to align faith with a nationalized theology under kingship. *Āyat al-Kursī* dismantles the very premise of monarchy in Islam: no human may embody, inherit, or monopolize divine authority. Where monarchs claim permanent, personal sovereignty, in Qur'anic theology sovereignty (*mulk*) is God's alone — repeatedly affirmed in verses like 3:26 "Say: O God, Lord of all dominion! Thou givest power unto whom Thou wilt and takest it away from whom Thou wilt…"

The legitimacy of the monarch is immediately voided as there is no one who can stand between a person and God, let alone "intercede with Him, unless it be by His leave?" (Qur'an 2:255)[43]. Without the continuous flow of oil revenue, the Saudi monarchy would not exist in its current form—a petro-state sustained by rent, reliant on arms imports to secure its rule and project power.

In Iran, oil dependence produced a parallel dynamic. Keshavarzian documents how resource rents entrenched networks of patronage and securitised dissent (Keshavarzian, 2007). Here too, Qur'anic concepts were recast as slogans of resistance while extractivism proceeded unimpeded.

The division between Sunni and Shīʿa regimes masks a structural convergence: both subordinated Islam's ecological ontology to the demands of fossil modernity. Iran's theocratic state replicates the same structural logic it denounces in monarchic regimes: the fusion of divine authority with hydrocarbon rent. The office of the Supreme Leader institutionalizes a theology of control, financed by fossil revenue and legitimated through clerical hierarchy. Oil and gas rents sustain a vast patronage economy in which religious authority becomes an instrument of state consolidation rather than moral guidance. Ritual and ideology are mobilized as political technologies, translating devotion into national cohesion and compliance. As in rentier monarchies, the state's stability depends less on consent than on resource distribution and securitized religiosity. In both monarchical and clerical variants, the Qur'anic *amānah* of stewardship is subordinated to the material imperatives of fossil capital.

Hallaq argues that the modern state's centralized sovereignty and legislative will are structurally at odds with a Sharīʿa ethic grounded in divine sovereignty and dispersed juristic authority, any "Islamic state" is conceptually incoherent; fossil-fuel rentierism further entrenches this incoherence by financing coercive administration and transmuting trusteeship into ownership. They transmute amānah into absolute ownership, de-link zakāt from ecological justice, and empty shūrā of participatory force.

[43] Asad, Qur'an 2:255 "God! There is no deity save Him, the Ever-Living, the Self-Subsistent Fount of All Being. Neither slumber overtakes Him, nor sleep. His is all that is in the heavens and all that is on earth. Who is there that could intercede with Him, unless it be by His leave? He knows all that lies open before men and all that is hidden from them, whereas they cannot attain to aught of His knowledge save what He wills [them to attain]. His eternal power overspreads the heavens and the earth, and their upholding wearies Him not. And He alone is truly exalted, tremendous."

Özdemir observes that creation is a trust from God and "the Qur'an's insistence on the order, beauty and harmony of nature implies that there is no demarcation between what the Qur'an reveals and what nature manifests" (Özdemir, 2019) He argues the modern worldview treats "nature as a machine" with merely "instrumental value," justifying exploitative resource use without acknowledging biophysical limits (Özdemir, 2019).

The misinterpretation is not doctrinal but political-economic. As Foltz shows, Islam recognizes animals as communities, yet in many Muslim settings the modern state's development priorities have left Islamic environmental ethics with minimal practical impact, subordinated to political-economic imperatives (Foltz, 2014).

Nasr locates the ecological crisis in the modern world's desacralisation of nature (Nasr, 1968), whereby the more-than-human world is reduced to a merely usable resource; his remedy is the re-sacralization of nature within a religious cosmology (Nasr, 1996). Building on this, contemporary analyses show that fossil-fuel rentierism hard-wires that desacralising logic into the modern state's political economy, financing coercive administration and converting trusteeship (*amānah*) into proprietary control.

Fossil capital, in short, re-authored theology: it turned Islam's ontology of limits into a rhetoric of resource nationalism.

The result is ecological devastation and entrenched poverty. Hydrocarbon wealth concentrated rents in elite circles while externalising costs, air pollution, water scarcity, dispossession, onto the poor. Qur'anic mandates for just measure and harvest rights for the vulnerable are voided by political economies calibrated to Brent crude. The betrayal is not sectarian but systemic: an ontological misreading imposed by fossil fuels.

9. Accumulation by dispossession and Qur'anic ontology

Harvey's argument that neoliberalization's "main substantive achievement" has been redistribution rather than generation of wealth, achieved through accumulation by dispossession (Harvey, 2005) is an analytic mirror to the Qur'anic denunciation of fasād and isrāf.

The continuing process of privatization, financialization and state-led redistribution encloses commons and displaces vulnerable communities. Harvey shows that neoliberal globalisation intensifies primitive accumulation which includes privatising water, commodifying seeds, enclosing forests, and displacing communities (Harvey, 2004).

Poverty is not residual but designed: a deliberate outcome of systemic theft. Pogge argues an institutional order knowingly engineered to foreseeably not only fails to help but reproduces severe poverty (Pogge, 2008). This maps onto the Qur'an's insistence, expressed through *mīzān*, *amānah*, and bans on wrongful gain, that rules and exchanges be designed so none are systematically wronged (Pogge, 2010).

The Qur'an anticipates this analysis in its insistence on justice as structural.

Take financialisation: In the Qur'anic worldview, financialisation, defined as the pursuit of "money-for-money" or profit divorced from real economic activity, is sharply opposed to ethical trade. "God has permitted trade and forbidden usury" (Qur'an 2:275–279), a passage that contrasts legitimate exchange with exploitative gain and equates those who "devour usury" to people "confounded by Satan." Indeed, waste, greed and even evil is attributed in the Qur'an as qualities of Satan[44] who is primarily understood as "one of the ungrateful" (*min al-kāfirīn*),

[44] Asad, Qur'an 2:34 "he refused and gloried in his arrogance—and thus became one of those who deny the truth [i.e., the ungrateful]."

not merely as metaphysical disbelief, but as a moral and existential act of ingratitude – that is, a refusal to acknowledge creation as a divinely-created trust and a responsibility. The kafirin comes from kufr, a term literally *"to cover up"* or *"to be ungrateful"* toward God's bounty and creative order.

In modern form, financialisation extends this Qur'anic warning into the ecological sphere: capital's abstraction from real value has rendered nature a passive collateral asset, subject to extraction and speculation. By treating ecologies as boundless and costless, without biophysical limits, it reproduces the same usurious logic the Qur'an condemns: gain without reciprocity, profit without stewardship.

Repentance requires relinquishing unjust gain: "you shall have your principal—you will neither wrong nor be wronged." Asad underscores the moral vector of capital, noting that "God deprives usury of all blessing (Qur'an 2:276), and that what is lent for mere increase "does not increase with God."

The Qur'an concludes with a comprehensive injunction toward justice in contracts (Qur'an 2:282), mandating documentation, transparency, and equity in credit dealings, safeguards against asymmetry and exploitation. The ethical boundary between commerce and financial predation is repeatedly stated — "Give full measure and weight in justice" (Qur'ān 6:152) marking distributive justice as command, not charity or welfare. Fasād,"corruption on land and sea because of what people's hands have earned" (Qur'ān 30:41), denotes the systemic harms of enclosure and ecological degradation.

Wasteful overconsumption ie: "Indeed, the wasteful are brothers of the devils" (Qur'ān 17:27), maps precisely onto Harvey's description of capital's dependence on engineered scarcity and overproduction. Both frameworks indict growth built upon theft: Harvey in secular political economy, the Qur'an in sacred law. Pogge (2008) argues that affluent states and corporations sustain poverty through rules of trade, debt, and finance that extract from the poor.

The Qur'an's ontology name these as betrayals of amānah, the trust. Wealth is not absolute title but deposit; expropriation is sin as well as crime. In Qur'anic terms, accumulation by dispossession is fasād institutionalised: degradation of soils, waters, and livelihoods for elite gain. The poor and the vulnerable, those most entitled to protection, bear the first and deepest costs.

Where Harvey and Pogge diagnose, the Qur'an prescribes: the discipline of mīzān (Qur'ān 55:7–9), the stewardship of khalīfah (Qur'ān 2:30), and the justice of shūrā-based accountability (Qur'ān 42:38). Harvey calls for resistance to dispossession through collective struggle; the Qur'an commands it through obligatory redistribution, bans on waste, and stewardship that recognises animals and ecosystems as nations (Qur'ān 6:38). In both frames, dispossession is not marginal but central; justice requires structural inversion. Thus Qur'anic ecological ontology and Harvey's critique illuminate one another: one speaks in the grammar of fasād and amānah, the other in the idiom of accumulation and expropriation. Together they disclose poverty and ecological devastation as systemic, not accidental, demanding transformation, not amelioration.

10. Defining the interpretative framework

A central vulnerability in ecological readings of the Qur'an is the charge of methodological vagueness. To address this, it is necessary to state clearly the interpretive traditions prioritised in this work, and the rationale for their selection. Three broad strands of tafsīr dominate the exegetical field: classical, modernist, and reformist. Modernist tafsīr, exemplified by Muhammad Asad's Message of the Qur'an and Abduh's Tafsīr al-Manār, enables a hermeneutic bridge between revelation and contemporary crises. Asad, in particular, offers a philological reading attentive to modern scientific and ethical challenges.

His rendering of amānah as moral agency and responsibility rather than dominion aligns directly with ecological ontology. Modernist approaches, therefore, are prioritised for their capacity to connect Qur'anic principles with systemic issues such as climate change and poverty. Reformist hermeneutics, as articulated by Rahman, provide the methodological hinge. Rahman's "double movement" theory insists that exegesis must first understand Qur'anic injunctions in their historical context and then derive general principles for application to new circumstances (Rahman, 1982). This approach is indispensable for applying verses on balance (mīzān, Qur'ān 55:7–9) or stewardship (khalīfah, Qur'ān 2:30) to modern ecological destruction. The selection of verses in this study follows a thematic analysis: ecological concepts (mīzān, amānah, khalīfah, fasād, isrāf) were identified and relevant āyāt across the Qur'an were gathered. This avoids chronological atomism or purely legal categorisation. The hermeneutic approach is therefore comparative and jurisprudential: comparative in aligning Qur'anic ontology with contemporary theories (Harvey, Pogge, Sen), and jurisprudential in that derived principles are intended for policy application via ijtihād and shūrā.

While classical tafsīr, as represented by al-Ṭabarī, Ibn Kathīr, and al-Qurṭubī, provides historical grounding and legal nuance, this was done in an era where commentaries, anchored in isnād (chains of transmission) and linguistic analysis, establish the normative boundaries of key terms such as fasād (corruption) and isrāf (waste). This work relies on them to situate verses within the broader jurisprudential canon, but did not take place in eras where ecological ontology was crucial for human and planetary survival and which is corroborated by scientific evidence.

By articulating this multi-layered framework, modernist relevance, reformist methodology, the paper resists charges of arbitrariness. Instead, it positions itself within a robust hermeneutical tradition that honours the text's history, engages its present, and projects its principles into actionable futures.

11. Context not cherry-picking

A critique that may be leveled at the Qur'anic ontology by Muslim-dominant governments dependent on fossil fuel revenue is the claim of "cherry-picking" verses or engaging in moralising without hermeneutics. First, this work adopts the maqāṣid al-Sharīʿah (objectives of law) framework, which identifies preservation of life, intellect, lineage, property, and religion as overarching aims. Ecological ontology is not imported into the text; it arises organically, since the preservation of life and property necessarily entails the protection of air, water, soil, and intergenerational resources. Verses such as "Do not spread corruption on earth after it has been set in order" (Qur'ān 7:56) are therefore not isolated, but part of the maqāṣid structure.

Second, verses were not selected randomly but clustered around five Qur'anic ecological categories: mīzān (balance, 55:7–9), amānah (trust, 33:72), khalīfah (stewardship, 2:30), fasād (corruption, 30:41), and isrāf (waste, 17:27). These categories are confirmed by both classical commentators and modern scholars as central to Islamic ethical discourse. This systematic clustering prevents the charge of selective citation. Third, hermeneutical depth is ensured by drawing on both philological and jurisprudential tools. Asad's philological precision anchors translation; Rahman's reformist hermeneutics contextualise; and Hallaq's legal analysis ensures continuity with the tradition. This triangulation shows that interpretation is not moralising improvisation but a disciplined application of recognised methods. Finally, comparison with external critical theories (Harvey's accumulation by dispossession, Pogge's global poverty, Sen's capabilities) underscores the universality of the Qur'anic ecological critique. By showing convergences and distinctions, the analysis avoids the insularity often associated with cherry-picking. The Qur'an is thus read not as a quarry of moral slogans but as a coherent ontology, resonant with and distinct from secular critical traditions. Critics may still argue that thematic analysis fragments the Qur'an's unity. Yet, as Sardar observes, thematic readings are essential for contemporary relevance, provided they are transparent about scope and method. In this light, the essay's hermeneutic approach is neither arbitrary nor moralising; it is systematic, anchored in maqāṣid, clustered around ecological categories, and applied through recognised interpretive traditions.

12. Avoiding essentialist binaries

A persistent vulnerability in postcolonial and theological discourse is the reproduction of essentialist binaries: Islam versus the West, ontology versus ideology, sacred authenticity versus secular corruption. Critics may argue that in framing Islam's ecological ontology as a "rupture," this essay risks idealising Islam while flattening secular modernity into a caricature. The danger is twofold: first, romanticising Islam as a homogenous ecological ethic; second, erasing the plural genealogies of critique within secular traditions. To avoid this, it is necessary to situate Islam not as monolithic alternative but as one among multiple critical ontologies that challenge capitalist and communist paradigms. Nasr himself warned against reducing Islam to an "Oriental corrective" for Western ills, emphasising instead that Islamic cosmology must be understood on its own terms, with its own tensions. Likewise, Sardar cautions that contemporary Qur'anic readings risk being mobilised as cultural weaponry in a civilisational binary rather than as genuine epistemic resources. The essay resists this trap in three ways. First, by acknowledging the plurality within Islam: classical, modernist, and reformist tafsīr traditions are not collapsed into a single voice but recognised as layered, contested, and dynamic. This diversity undercuts any notion of a pure, unchanging ecological essence. Second, by critically engaging secular theorists such as Harvey, Pogge, and Sen, the essay shows that resonances exist across traditions, and that the Qur'an's ecological ontology does not stand in splendid isolation but converses with, and sometimes critiques, secular critical theory. Third, by foregrounding historical misuses of Qur'anic ontology by Muslim-majority states, Sunni and Shīʿa alike, it rejects triumphalism. Islam is not romanticised; its principles have been betrayed as much as they have been realised. Hallaq observes that the real problem is not Islam versus the West but the modern state-form itself, whose logic of sovereignty undermines all moral ontologies. Thus, the rupture posited here is not between Islam and the West, but between ecological ontology and extractive modernity. By reframing the dichotomy, the essay sidesteps cultural essentialism and instead critiques structural logics that cut across geographies. The Qur'an's ontology is therefore not romanticised as flawless antidote, but positioned as one rigorous, theocentric critique within a wider constellation of resistance to ecological and economic predation. This placement avoids the seduction of binaries and underscores Islam's contribution as part of a plural, global struggle for ecological justice.

13. Policy recommendations in Muslim-dominant governments (Derived via Ijtihād and Shūrā)

- Legislate mīzān: Enact constitutional-statutory duties to maintain ecological balance within which the economy must perform; criminalise large-scale fasād (pollution, habitat destruction, illegal deforestation); mandate environmental impact assessments aligned with precaution and intergenerational equity.

- Amānah finance: Shift public finance toward equity and/trade-based instruments that price ecological risk; prohibit harm to endemic or endangered species; phase out subsidies from public monies for fossil fuels; create green waqf (endowments) for restoration and community energy.
- Sufficiency economy: Regulate isrāf through extended producer responsibility, circular design standards within planetary capacity and sustainability, and bans on planned obsolescence; promote seasonal and local food systems and pay the poor their due at harvest (Qur'an 6:141).
- Multi-species justice: Recognise animals as umam with legal protections; prohibit cruel intensive confinement; protect pollinators and keystone species; require habitat corridors.
- Water ethics: Treat water as trust; prioritise human and ecosystem needs over extractive projects; align allocation with mīzān.
- Poverty first: Target benefits to the most vulnerable; use progressive tariffs and dividends to avoid regressive impacts; guarantee access to energy, clean water, and livelihoods as rights tied to amānah.
- Governance: Institutionalise shūrā with binding participatory mechanisms; empower independent oversight to enforce anti-fasād provisions; protect environmental defenders.

14. Conclusion

The Qur'an's ecological and economic ontology is not ornamentation: it is architecture. It is a system written in the grammar of mīzān (balance), amānah (trust), and khalīfah (stewardship), a jurisprudential framework that disciplines power, constrains predation, and redistributes life-supporting goods to the poor. Applied through ijtihād and shūrā, it transforms moral injunctions into enforceable structures: economies nested within ecologies; humans recognised as one nation among many; justice revealed not as abstraction but as the practical form of belief. The novelty here lies not in assembling verses, which anyone may recite, but in excavating a coherent political economy from within the text, one that resonates with critical secular analyses of dispossession yet remains distinct in its theocentric grounding. Where capitalism and communism alike desacralise the earth, the Qur'an insists on its sanctity as amānah; where modern states engineer extraction, the Qur'an criminalises fasād and prohibits isrāf; where global systems entrench inequality, the Qur'an mandates redistribution at the point of production. That Muslim societies have not systemically incorporated these principles into political, economic, and social life is not an inevitability inscribed by revelation. It is a historical and political betrayal: the eclipse of ontology by fossil capital, the reduction of stewardship to slogan, the silencing of shūrā. The Qur'an provides the corrective, anchored in balance, trust, and stewardship, but it must be claimed. The urgency is not rhetorical. Ecological collapse and deepening poverty expose the bankruptcy of extractive paradigms. The Qur'an's ontology, rigorously applied, offers not piety but policy: sufficiency in place of waste, accountability in place of impunity, and justice across species and generations. The choice remains with us. To neglect this system is to sanction fasād; to embrace it is to restore mīzān. The corrective is available. The question is whether we will act before the trust itself is lost.

Notes

Unless otherwise indicated, Qur'anic translations and verse numbering follow Muhammad Asad, The Message of the Qur'an (Gibraltar: Dar al-Andalus, 1980).

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Research Paper

The Illicit Organ Trade:
Biographical, Anatomical, Economic and Legal Aspects

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Abstract: A kidney can cost up to $ 200,000. Humans have two kidneys but normally require just one to live. Individuals can donate one to relatives for altruistic reasons. But to pay $ 200,000 - or any other amount - to obtain a kidney, no country in the world allows that. Except for Iran. This global blanket ban has pushed the trade of organs underground and it now ranks as the fourth most lucrative illegal activity – behind only drugs, arms, and human trafficking. Rising incidence of end-stage kidney disease will increase demand for replacement kidneys, both gifted and bought. This essay studies this trade using two case studies, one of a Nigerian leading legislator arrested in the UK for getting a kidney for his daughter and another on kidney demand in Iran where trade in organs is permitted. The global value of the trade is studied, and literature gaps are discussed. The inadequacies of the current system are highlighted and improvements suggested, based on best practices around the world.

Keywords:
1. Organ trade
2. Organ donation
3. Organ transplant
4. Kidneys
5. Altruism
6. Nudging

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1. Background

With organs damaged beyond natural and surgical repair, and with no artificial equivalents, patients were once doomed to certain death. In the 1950s, the success of organ transplantation surgery marked a notable change (Duguay, Hermon, & Smith, 2020). From then up to the present, transplantation has saved many lives. The organs for transplantation are sourced from human donors – either deceased individuals (especially in the cases of the heart, pancreas, and liver) or living individuals (especially kidneys and other tissues) (Ambagtsheer, 2017). By far, the kidney is the most sought-after organ and the most traded; it can be derived from the dead or the living.

A kidney can cost up to $ 200,000 (Dahlkamp, Hofner, Hoffman, & Latsch, 2025; Caplan, Dominguez-Gil, Matesanz, & Prior, 2009). Humans have two kidneys but normally require just one to live. Individuals can donate one to relatives for altruistic reasons. But to pay $ 200,000 -

or any other amount - to obtain a kidney, no country in the world (except Iran) allows that. That is, any kidneys bought or sold are done so illegally.

This essay holds that the ban on organ trade has pushed organs “exchange” underground. As an illegal activity, organ trade now ranks as the fourth most lucrative illegal activity – only behind drugs, arms, and human trafficking. With increasing end-stage kidney disease, the demand (both for donations and purchases) for replacement kidneys would increase (de Jong, et al., 2013).. With this demand, the importance of the topic is heightened as without action, it would solidify its status a setting for systematic and persistent exploitation of both the poor who may have kidneys to sell, the sick who may have few options for organ replacement.

The conclusions of this essay will be arrived at through a review of published literature.

2. A history of organ trafficking

With organs damaged beyond natural and surgical repair, and with no artificial equivalents, patients were once subjected to death. In the 1950s, the success of organ transplantation surgery proved to be a notable change (Duguay, Hermon & Smith, 2020). From then up to the present, transplantation has saved many lives. The organs for transplantation come from human sources – dead humans (especially in the case of the heart, pancreas, and liver) or living humans (especially kidneys and other tissues) (Ambagtsheer, 2017). By far, the kidney is the most sought-after organ and the most traded; it can be harvested from the dead or living.

With transplantation success attained in the 1950s, it soon became evident that the demand for organs outweighed the supply. The absence of a normal legal market for those organs meant that a black market for organs was going to occur. Thus, in the 1980s, the earliest reports of commercial organ trade were made, and it concerned poor Indian citizens who were selling kidneys to foreign patients; nearly 80% of kidneys procured in Indian hospitals were transplanted into patients from the Middle East, Malaysia, and Singapore (Bos, 2015). A retrospective Lancet[1] report at the time had documented 131 Emirati and Omani patients who had travelled to Bombay, India – along with their doctors – and received kidneys from local "donors" who were paid. At the time, the authors of the Lancet report were not so concerned with the commercialisation of the kidneys – which was, if not illegal, repugnant. The concern then was the post-operative complications – not on the “donors” who were losing a kidney – but on the recipients who were gaining new kidneys (Salahudeen, Woods, Pingle, et al., 1990).

In 1994, India passed an outright law, the Indian Transplantation of Human Organs Act, which made buying and selling of human organs illegal. However, this did not slow the market; the opposite was the case: over three hundred citizens of Chennai, India sold a kidney within the six years from 1994 – 2000 (Goyal, Metha, Schneiderman, et al., 2002). Given the underground nature of the trade, figures such as these may be significant undercounts.

In 1988, there was a high-profile case of organ trafficking that resembled the Ekweremadu affair. For a start, it took place in the United Kingdom. It involved a well-known nephrologist (i.e., a specialist kidney doctor), an unnamed wealthy patient, and an unknown Turkish citizen . The patient had put out an advertisement in Turkish newspapers that he was in search of a kidney donor. Anyone who was willing to donate and matched the criteria was going to be paid 2000 – 3000 British Pounds. The Turkish citizen was found to match all criteria; he was recruited and taken to London for the procedure at the facility of this well-known surgeon.

The donor had a letter of introduction that stated the patient was going to be supported and cared for after the transplantation. When this scheme was discovered, the nephrologist and

[1] The Lancet is among the most prestigious medical journals in the world.

other doctors involved in the case lost their practising licenses. This time, the UK Human Organ Transplant Act had not yet come into force; the perpetrators had no criminal charges brought against them. It was simply a case of the medical profession disciplining members of their rank for unethical practice. The law came into force later that year (Price & Mackay, 1991).

In 2000, Latvia and Germany were found to be involved in cross-national organ trafficking. The Latvian State Forensic Medical Centre had delivered human tissues to Tutogen, a German company. The German company in turn paid "compensation" to the Latvian Medical Centre. These transactions took place from 1994 to 2003 and involved the tissues of more than four hundred deceased persons. Relatives of these deceased persons, such as Ms Elberete (whose husband was the deceased) found out about this practice and reported it to the police as the tissues had been harvested and sold without consent. Criminal investigations were commenced. These investigations were concluded in 2005. The verdict? No one was found guilty (Olsena, 2008).

In 2015, the case was reopened and was heard at the European Court of Human Rights. The case was Elberte v. Latvia (application number 61243/08). The court ruled that "taking and selling the tissues without consent constituted a violation of articles 3 and 8 of the European Convention of Human Rights (degrading treatment, lack of respect to private life)". On Article 8, the Court noted it was the right of Ms Elberte to consent to the removal of her husband's tissues and that the domestic authorities had failed to provide the legal and practical conditions for exercising this right. Given the large number of people from who had their tissues removed, it was more important that proper mechanisms existed to help with the expression of wishes regarding the experts' discretion on the matter. The court thus concluded that Latvia breached the article by not having "adequate legal safeguards against arbitrariness".

On Article 3, the Court found that the suffering of Ms Elberte extended beyond the death of a husband – she had only discovered the nature and number of tissues removed from her husband's body during the European Court proceedings It emphasised that respect for human dignity was at the core of the European Convention. The Court's conclusions were that the suffering caused to Ms Elberte was "degrading treatment", an affront to dignity and thus contrary to the Article. The court-mandated the Latvian authorities to pay financial compensation (European Court of Human Rights, 2015).

From Africa to Asia to Europe, and the Americas, there is a presence or the potential for the existence of organ trafficking operations. It is as much a health-related question as it is a legal question – as has been touched upon and as would be discussed more fully in the following sections.

3. A biographical sketch of Sen. Ike Ekweremadu: Case study

> *"Ike Ekweremadu … you have been convicted of conspiracy to commit an offence of human trafficking. You brought a young man to London to exploit him. The exploitation was the proposed donation of a kidney in return for a reward, the reward being money and a chance to work in the United Kingdom."*
> [Sentencing Remarks of Mr Justice Johnson, Central Criminal Court, 5 May 2023]

Mr Ike Ekweremadu and his wife Beatrice were absent at their son, Lloyd's wedding. This is unthinkable in the Nigerian context as it is the parents of the bride and groom who fret over every aspect of the wedding ceremony. A grand wedding is the greatest honour that a parent gives to their children.

While the parents were absent as they were commencing prison sentences in the United Kingdom, ministers of the central government, two former heads of the Nigerian legislature, and politicians of the highest calibre were present. In his down moments, Mr. Ekweremadu was not abandoned. Indeed, Lloyd, the new groom, was made a government commissioner in his state.

How much influence could Mr. Ekweremadu wield from prison? The cream of Nigeria’s elite attended his event while he was in prison, and a much-respected former Nigerian president wrote officially to the United Kingdom government (perhaps influenced by the arguments of lobbyists) requesting that Mr Ekweremadu be pardoned (Aworinde, 2023).

If Mr Ekweremadu could appear to command such consideration from prison, could the kidney donor who had reported Mr Ekweremadu hope to remain safe in Nigeria? Perhaps, this provides a glimpse into the arguments that were made in court by the defendants. More broadly, this shows the sophistry and seriousness of international organ trafficking.

Mr. Ekweremadu was born in 1962 – two years after Nigeria's independence from Britain (Ijaseun, 2022). His father was an Igwe, head of a royal family, from Nigeria's Eastern region among the Ibos, that fiercely independent and entrepreneurial ethnic group who call themselves the Jews of Africa. When he completed secondary school (i.e., high school), he earned the highest distinction possible – a Grade 1. This was an early step in his ladder climb.

For a university education, he chose to study law. He trained at the University of Nigeria, Nsukka (UNN). He was admitted to the Nigeria Bar in 1987. Thereafter, he topped things up with master’s and Doctorate degrees.

His entry into politics was at the grassroots. Even here, he excelled: he was named the Best Local Government Council Chairman of the Year. With this A grade in grassroots politics, he moved a step higher. He became chief of staff to the governor of his state and later became the cabinet secretary of the same state.

From here, he contested elections and won a senatorial seat in 2003. He was re-elected four times in 2007, 2011, 2015, and 2019. He was the deputy Senate president of Nigeria from 2015 to 2019. He soon outgrew the ponds of Nigeria, becoming First Deputy Speaker of the Economic Community of West African States (ECOWAS) parliament.

After 20 years as a senator, he had plans to retire from the senate chamber. That he is now holed up in a British prison is not the climactic conclusion that he would have hoped for.

His crime? He had conspired to harvest a kidney in the United Kingdom. He was not doing this for financial reasons (Judiciary of England and Wales, 2023). His daughter, Sonia, was diagnosed with nephrotic syndrome and needed a kidney transplant. The conspiracy was that Mr Ekweremadu got the individual from whom the kidney was to be harvested to pose as both an altruistic donor and a relative. This individual was no donor and was no relative (Judiciary of England and Wales, 2023).

In the absence of an altruistic donor, Mr Ekweremadu's sick daughter would have been added to an organ transplant waiting list. No organs are legally sold on the open market. Kidney transplants are not only repugnant but illegal in all countries of the world except Iran (Ambagtsheer, 2017). Mr Ekweremadu fell from grace because he attempted to purchase a kidney in a country where it was illegal to do so. As the UK's prohibition of the organ trade renders conduct such as Mr Ekweremadu's illegal, it enables criminal syndicates to operate in the UK an underground organ harvesting market that cannot flourish in Iran (due to the legality of buying organs). Moreover, demand for organs is more easily met through financial incentives mobilized by a market than through reliance on altruistic motives, which results in long waiting lines for kidney transplants and many patients not receiving needed replacement kidneys. Prohibition of trade in organs fuels criminality and fails to meet the needs of patients.

Why do people sell their body parts? How does regulation affect the illicit financial flows attributable to organ harvesting and trade? How large is this trade? Examination of these questions can start with a brief history of organ trafficking.

4. The anatomy of an organ trafficking operation

The organ trafficking operation is organised and complex. Like the human anatomy, which is organised and complex, organ trafficking has many moving parts. The figure below gives a sense of this.

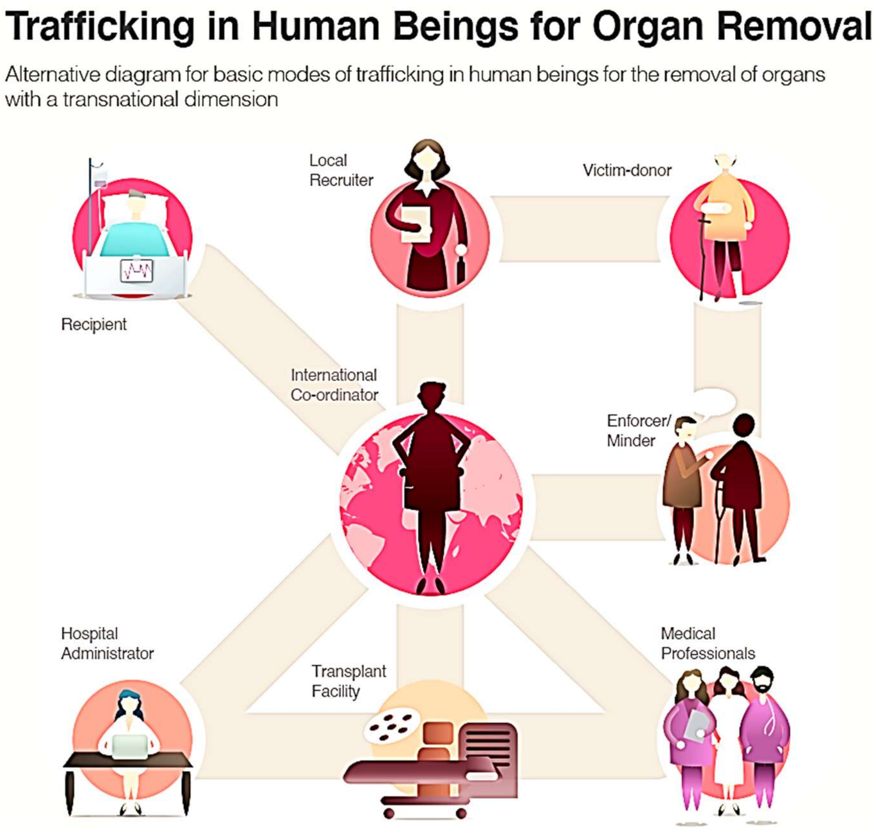

Figure 1. Basic modes of trafficking in human beings for the removal of organs
Source: OSCE (2020)

The broker is the centrepiece of the organ trafficking operation. The broker is the head or the heart – if not *both* head and heart – of the operation. Naturally, the other facilitators are instrumental in the whole operation. However, the brokers are the *sine qua non* of the whole operation. One may think that the recipient of a kidney the donor, or the skilled surgeon should be the most critical component of the operation: this is not the case.

An attempt at connecting the donor and the recipient is maze-like, often circuitous, and labyrinthine. It is the broker who can navigate this labyrinth and bring the willing buyer in contact with the willing seller. The broker contacts nearly all facilitators of the operation; the recipient contacts only the broker (aside from the operating surgeon). That is, the recipient would make no real “business-like” contact with any of the other facilitators except “surgical contact” with the medical professional and "organ contact" with the donor.

4.1. Defining a broker

While the definition for a broker is bereft of uniformity, the following has been offered:

> *An intermediary between a kidney buyer and seller who connects the two using his/her knowledge of medical personnel and facilities that engage in illegal transplantations. The broker’s key asset in this market is his/her greater knowledge of other stakeholders to whom the seller does not have direct access.*
> (Yea, 2010)

At the head of an organ trafficking syndicate is a broker who usually has an international character and is a founder of the criminal network. The broker is the strategic manager of the whole operation and usually makes first contact with potential recipients (through the Internet or verbal recommendation). The broker sometimes approaches suppliers directly or commissions scouts to search for willing individuals. It is also not rare for suppliers to eventually become brokers themselves (Caplan et al., 2009). With most networks, the broker further establishes and regulates the supply of recipients, receives, and passes on all payments, and oversees the matching and recruitment of organ suppliers (Bos, 2015).

That the broker has sole access to the organ recipient is key to the profitability of the organ trafficking operation. As would be seen, from an economic standpoint, the recipient pays the most and from a health standpoint, he gains the most. Through a tactful manipulation of the economic status and health needs (sometimes desperate health needs) of the organ recipient, the broker emerges as the biggest winner of the organ trafficking operation.

There may be more than one broker in large transnational networks. But always, the broker would aim to set prices for the transplant operation that would be most profitable to himself (Codreanu et al. 2013). Doctors, directors of hospitals or tissue-matching laboratories may be the brokers.

lso, retrospective evidence arising from actual prosecutions shows that the more the brokers acted as “business executives” the more likely it is that vulnerable people would be donors (Bos, 2015). Brokers commonly exploit suppliers’ vulnerabilities – mostly poverty and illiteracy – through deceit, coercion, abduction, or fraud (Yea, 2010). For example, a broker had told a Brazilian supplier that he was going to be “healthier with just one kidney” (Scheper-Hughes, 2011). There is no medical evidence supporting this: it is all deceit. A Hindu supplier had to undergo circumcision to pass as a relative of his Muslim recipient (Moniruzzaman, 2012).[2]

Passports are often seized after border crossing to ensure that the suppliers cannot return to their countries of origin without first “donating” their kidneys. The brokers also organise a scheme to deceive the authorities. Suppliers are coached on questions they would be asked and how they would respond to them, and how it is important to deny that they would receive any kind of payment for the organ that they were “donating.”

In the Ekweremadu affair, Dr Obeta was the broker. The kidney supplier in the affair was promised residency and employment in the United Kingdom. Dr Obeta had also arranged for false documents that strove to show the supplier as a relative of the Ekweremadus.

[2] While Muslims are required by their faith to be circumcised, Hindus are not.

4.2. Suppliers

Some brokers have insisted that some suppliers have approached them themselves, put pressure on them to arrange for organ sale and have been "disappointed, frustrated or angry" if they fail to pass medical tests and are therefore ineligible to supply a kidney (Yea, 2010). Some researchers consider such suppliers victims of "systemic" vulnerabilities and exploitation (Lundin, 2012).

Moreover, coercion is typically low at recruitment and increases progressively as the transplantation nears (Moniruzzaman, 2012). As the process for selling the kidney unravels – the need for surgery (for one who perhaps has never had surgery), international travels (sometimes through dangerous illegal routes), and post-donation complications, the donor's resistance to the sale increases. If the donor knew all these earlier, his recruitment would most likely have been unsuccessful. It is therefore clear that "information asymmetry" is an important principle in the broker-supplier relationship (Mendoza, 2010).

4.3. Brokering in court

Testimonies against brokers in the law courts are rare: recipients and suppliers tend not to file complaints against them, as such brokers rarely get sentenced. This is especially pitiable as the broker is the most important member of the organ trafficking network. It is possible that they also benefit the most from the enterprise – indeed, they may be the very ones that make it lucrative. They may also be the only ones that can make a business out of organ trade: there are just so many kidneys that a recipient would need, or a supplier can donate within a lifetime. Doctors, hospitals, recruiters, etc. can make also make a business out of organ trafficking. Without them, the business cannot even exist. But the pay differential between say the surgeon and the broker is wide – wide enough to suggest that a surgeon cannot fund a trafficking network – unless and until he becomes a broker himself. This is often the case whereby surgeons, hospitals, enforcers, and local recruiters can become brokers.

Indeed, a Turkish company, Trans Transplantsyon, had offered kidney transplant services to UK citizens, amongst others. The transplantations were to take place in India or Russia; the fee was 22, 000 British Pounds. They had facilitated four hundred successful transplants; had operated in continental Europe for over six years and had planned to set up an office in London (Bos, 2015). Trans Transplantyson fit the role of broker – four hundred times over.

In the Ekeweremadu affair, the broker was sentenced. But even then, his jail time was less than the sentence of the other defendants. This is consistent with literature elsewhere (Codreanu et al., 2013).

5. Quantity surveying of the illicit organ trade

At its most fundamental level, the purpose of the organ trade for the broker is exploitation to obtain material or financial benefit. The greater the exploitation, the greater the benefits that are obtained. Organ trade consists overwhelmingly of kidney trade (as kidney diseases that require kidney transplants are usually end-of-life cases thus heightening the urgency and propensity for exploitation) (de Jong et al., 2013). As a result, estimations of the financial aspects of organ trade take kidney trade as a point of reference from which to extrapolate.

Information gaps exist that make estimation of the financial aspects of the illicit organ trade difficult. These gaps will be discussed below. Once their discussion is exhausted, the best available data on illicit organ trade will be examined from three standpoints. Namely, the cost of buying, the cost of selling, and the link between buyers and sellers.

5.1. Accounting for literature gaps

Organ donors do not meet organ recipients. However, after a successful transplant, organ donors meet with the money of organ recipients. How does this happen? Most studies are silent on the institutions or actors from whom donors receive their payments. While the role of brokers or middlemen is established, other actors receive payments. These include physicians, staff of hospitals, and various kinds of companies. If literature does not identify these individuals, whatever figure is arrived at may only capture sums due to brokers and suppliers. This is the first gap in illicit organ trade literature.

Second, it is unclear how money flows in the illicit organ trade. Because bank accounts are often not owned or used by the poor, money is paid to organ suppliers (who are usually poor) by hand (Tong, et al., 2012). This makes it unclear how much is exchanged concerning organ transplantation. Transaction also do not leave a trail for determining inbound and outbound funds – assuming that courts give warrants to eliminate bank secrecy. Brokers and transplant doctors and hospitals may also be paid this way. Consequently, figures reported upon may only represent those of one or a few members of an extensive, often cross-border, operation.

Taken together, these two gaps make estimating the profitability of the illicit organ trade is difficult – perhaps an impossibility. (Anecdotally, the exchanges between donor and recipient can be known through interviews of past donors and recipients and covertly posing as either donors or recipient.) However, it is a lucrative business as the succeeding paragraphs within this section would show.

5.2. The cost of buying

Many people find organ trade repugnant and hold that organs should not be sold or bartered (Roth, 2015). That is why organ buying is often called "organ donation" and paid-for organs are often described as "gifts". These euphemisms are used to escape or weaken the prevalent repugnance.

Buying is used here to convey certain points with greater clarity. The individual buying the organ is the organ recipient (the one who originally paid money for the organ and the one whose body would eventually house the bought organ).

The World Health Organisation and Council of Europe estimate that the amount paid for a kidney range from $10,000 to $200,000 (Dahlkamp, et. al., 2025; Caplan, et al., 2009). These figures are dependent on the buyer's country of origin. Buyers from Turkey, Egypt, and Korea paid sums that ranged from $20,000 to $75,000 per kidney (de Jong, et al., 2013). In Pakistan, local buyers were charged differently from foreign buyers: while local buyers were charged $2,800 - $13,500, foreign buyers paid $20,000 - $30,000 (de Jong, et al., 2013).

In the Philippines, a kidney could cost a buyer anything from $65,000 to $85,000 (Turner, 2009). An Israeli syndicate charged Israeli kidney buyers $100,000 to $120,000; non-Israeli kidney buyers were charged $125,000 to $135,000 (Lundin, 2012). In 2012, a US organ broker confessed to selling kidneys to buyers who paid $160,000 (Cohen, 2013).

In some of these cases, there are disparities between what is paid by the local buyer and foreign buyer. Guesses may be made about the origins of these disparities.

First, buyers paid for packages that in addition to the kidney they were buying included screening, transportation, accommodation, organ transplantation costs, and hospital stay costs (de Jong, et al., 2013). Disparities may have therefore arisen for the cost of international travel, for example.

Second, committing a crime across international borders may have required bribing officials from different countries (immigration, customs, health regulation officers, etc) to get cover – and more so than would have been required for local transplants.

Third, there may have been a disparity between local and foreign transplants as foreign buyers may have been thought of as having greater facility for payments. This pattern is seen, for example, in the tourism industry where tourists are charged differently from locals.

Fourth, it may be logistically difficult to match foreigners to local kidneys. Organ transplantation has the greatest chance of success when the tissue type of the donor matches that of the recipient. Thus is a transplant between identical twins is usually a nearly perfect transplantation situation. Potentially, the foreigner may significantly differ from most of the available local donors. The difficulty in getting a suitable donor would translate to higher fees.

The buyer has no direct financial gain from “buying” a kidney – in a comparable way that the buyer of a Ferrari has no direct financial “gain” from buying the luxury vehicle. Whatever financial benefit may arise indirectly whereby the kidney buyer lives for longer and thus may be economically productive for longer. His real benefit is a medical one whereby by buying a kidney he or she reverses what a death sentence.

5.3. The cost of selling

The price received by sellers, just like the price paid by buyers, varies worldwide. Individuals have received between $1000 and $2500 as payment for their kidneys or liver in countries such as India, Pakistan, Bangladesh, Colombia, and the Philippines (de Jong, et al., 2013). In Iran, where organ trade is legal and regulated by the government, sellers are paid a standard $1,219 by the government and buyers may reward sellers with gifts (de Jong, et al., 2013). In Israel and Turkey, sellers have been given between $7,500 and $20,000 (Mendoza, 2012).

In a 2003 criminal case, police found that an international organ trade syndicate paid up to $20,000 to individuals for kidneys but later discovered that poor Romanians and Brazilians were willing to accept far less (de Jong, et al., 2013). As far as the cost of selling goes, it appears that the poorer the seller, the lesser the price. But poverty is only one factor that drives the costs of organs down.

In the same criminal case, it was found that going rates of $10,000 due to sellers went down as the sellers were in excess – a sort of "donor/seller waiting list”. Prices for the organs went down to $3,000 (de Jong, et al., 2013). The same pattern was seen in Bangladesh where the average selling cost of $1,400 per organ went down due to abundant organ supply. Supply is therefore a factor affecting the cost of selling in the illicit organ trade.

Other factors are desperate need for cash, lack of pricing information, seller’s reference point and context ($1000 is a plump sum for an individual who earns $100 per annum; it would not be plump for one who earns $500 per month).

But the selling costs discussed above are only the agreed-upon costs. It sometimes varies from what individuals are eventually paid. Sellers are usually paid on an incremental basis with the balance to be paid when the transplant is done. It has been reported that 25-50% of the amount negotiated by the seller is often withheld indefinitely (Tong, et al., 2012).

Non-financial costs of selling a kidney are the following: declining health status, inability to do labour-intensive work, and thus worsening economic conditions. It appears, therefore, that selling a kidney does not erase the very conditions that may have necessitated the sale in the first place. The discrepancy between the cost of selling and the cost of buying indicates the profitability of the business.

5.4.The cost of the link between the buyer and the seller

The link between the buyer and the seller is the broker. He neither owns the organ nor requires transplantation. He is not the source of the funds for illicit organ trade. He is not the destination for organ trade. Yet he makes the most profit from it. Indeed, he knows the organ trade market better than the buyer and the seller and may determine whether there can be any trade in the first instance (Ambagtsheer, 2017). Moreover, he is under no economic pressure (as the seller may be) and no medical pressure (as the buyer may be). This allows him to drive hard bargains with the possibility of exploiting both parties. Healthcare practitioners are also deceived by the machinations of the broker – such as being convinced that the donated kidney is from a relative and for altruistic reasons.

Can one buy a kidney more than once in a lifetime? It is possible but unlikely. Can one sell more than once? It is unlikely. Can one facilitate the sale of a kidney more than one? Surely. And there lies what is the actual cost of the organ and where the true emphasis of law enforcement should be with regards to stemming the illegal activity – in the short term. In the long term, there must be action to reduce the need of both buyers and sellers for the evil genius: the link, the broker, the middleman.

The cost upper limits for selling and buying a kidney are $20,000 and $200,000 respectively (Caplan, Dominguez-Gil, Matesanz, et al., 2009). This means the broker goes off with a $180,000 (that is, $200,000 less $20,000) profit before "taxes" with which to settle transplantation costs and other logistics while keeping a greater part of the chunk. The lower limits for buying and selling a kidney are $1,000 and $10,000 which leaves the broker with a profit of $9,000 for transplantation and logistics. When it is factored in that brokers often tend not to completely pay to sellers, the profit further widens.

As stated earlier, there is an information gap as to the amount that is finally accrued by the broker. However, it is the broker that controls what the supplier receives, and what the hospital and logistics payments would be. It is therefore clear that the organ trade is a profitable one especially as the broker controls a lot of the consisting elements.

6. How legislation may be fuelling illicit financial flows

Organ trafficking is an illegal multibillion-dollar industry. With up to $1.7 billion made per year, organ trafficking is the fourth most profitable illegal activity – less than a decade earlier, it ranked tenth (May, 2017). The basis for the operation of the expansive international trade networks is globalization and the proliferation of communication and transportation technologies. The development of these networks has been insidious and is now said to have successfully "blended into legal structures and institutions" (Naylor, 2002). Further, they have expanded their activities into other legal and illegal fields (Castells, 1998).

6.1. Widespread condemnation

While organ trade is widely condemned, only in very a few cases have victims made accusations or the accused, prosecuted. It appears, therefore, to follow a well-known pattern of "punitive condemnation through legislation but [non-existent] awareness and expertise on how to detect and enforce" (Amabagtsheer & Weimar, 2012). For example, how do you assess the presence or absence of altruism – that key quality for organ transplantation to proceed? Payment of money may be the best indicator. Whereby one who receives money is not altruistic but who does not receive is not altruistic. But there may be other gains beside money which be distort the altruism argument.

Organ trafficking is, primarily, a demand-driven crime. For a long time, governments have sought to clamp down on demand outside approved medical channels by laws against it; the effect has been mixed, if not limited (MacCoun & Reuter, 2001). Indeed, Garland (2001) suggests that the response of legislatures to demand-driven activities is often "impulsive", and "unreflective", and avoids the recognition of the underlying issues – the issues that cause the demand for illegal kidneys in the first place.

Some of this legislation is politically motivated with a need to restore public confidence and demonstrate control. For example, when the kidney transplant affair involved the high-powered British nephrologist, the society was appalled that such a thing could have happened in their territory and the modern age. The immediate response was a law the outrightly criminalised organ trade (Price & Mackay, 1991). Public confidence was restored. Nobody was successfully prosecuted under the law until 2023 – Ike Ekweremadu (Weaver, 2023).

However, it is not plausible that such procedures ceased after the law. Indeed, the broker for the Ekweremadu case – Dr Obeta – had received his kidney only the year before (Judiciary of England and Wales, 2023). Further, the policies neither aim at removing the root causes of crimes (i.e., life-threatening conditions) nor the risks that may arise (i.e., death, a black market that would corrupt a system and fund other forms of Illicit Financial Flows).

Organ trade is prohibited to eliminate repugnancy, preying on the poor, and undermining altruism. In fact, all these things – repugnancy, preying, and undermining of altruism occur not in spite but because of the prohibition of organ trade and because of the black market that emerges from it. It does this and even more: drives up prices, generates illegal incomes, diffuses crime into other regions and sectors, and pushes trade underground thereby heightening crime rates and victimization (Best, et al., 2001).

Legal organ trade may be accused of having similarities to illegal organ trade – such as repugnancy. Repugnancy is empowered by "illegality." Legalisation of organ trade would at least peel back the layers of repugnancy.

Writing on other demand-driven activities, authors have suggested decriminalization and regulation (Hentrich, n.d.; Ambagtsheer & Weimar, 2012). They argue that social harms within a regulated market are bound to be less than those in prohibited markets. The Iranian model of organ trade appears to have borne these arguments in mind (*see section 7 below*).

A large field exists between prohibition and decriminalisation. It may be here that the optimal solution can be found about organ trade. At all times, however, the permeating thought would be that solutions would be realistic in what they can achieve and be true to themselves about who the true winners of prohibited or decriminalised organ trade milieu are.

6.2. Unintended facilitation

Aside for Iran, laws are unanimous in their condemnation of organ trade and the prohibition of individuals from buying or selling organs. However, they fail to provide suggestions on how to handle organ shortages which are consistently on the climb. Demand for the organs is thus pushed underground – and not eliminated. Illicit organ trade has legal, medical, and ethical components. At present, it appears only the legal component receives attention. The medical and ethical ones are left untended. The situation is akin to having three holes in a dam but plugging just one.

By not being victim-focused, the causes of the illicit trade are not removed. The victims in the organ trade are principally the buyer and the seller. Again, demand drives organ trade. In the absence of measures taken to stem the demand for organs or legally supply adequate numbers of kidneys, organ trade would flourish and to a significant extent because the medical problem that caused the demand for the organs in the first place remains. The current model is criminal law-focused and therefore post-hoc (after the fact) and not ad hoc (before the fact).

But even the laws outlawing organ trade are failing to function at their optimum due to a deliberate absence of political will (Aronowitz & Isitman, 2013). Here is what is meant: while countries ban organ trade, they permit – if not facilitate – their citizens to travel to destination countries and have organs transplanted into them (Lundin, 2012). It does not end here. Upon completion of the procedure, the country in question provides directed healthcare to such individuals (Lundin, 2012). Organ trade is outlawed but government policy provides for post-transplant care for a commercially obtained organ. This is hypocrisy but also an admission that there is something fundamentally wrong with the current way of giving and receiving organs.

It appears therefore that we are legislating our way into a bumming illicit organ trade. What should then be equally clear is that we cannot only legislate our way out of it.

7. Combatting illicit organ trade

Illicit organ trade, for all its faults, solves a problem. A medical problem. How can this problem still be solved while eliminating the trade's faults – chief of all the intrinsic illegality? This would be the guiding principle of what would be offered here as a substitute for illicit organ trade. As per the legality of organ trade, only one case study exists, namely, Iran. It would thus be examined.

The broker is the regulator of the trade. We cannot thus expect it to be fair. Buyers and sellers would continue to have complementary needs. The buyers' need is a medical one. The sellers' needs are mostly non-medical. What needs are permissible for a seller to have? Economic? Altruism? The current model of organ exchange says altruism. It simply does not work or has not worked well enough (Aronowitz & Isitman, 2013).

A study by the United Nations and the Council of Europe found that while international legal instruments exist for the prevention and combating of illicit organ trade, they had mostly failed – as evidenced by the soaring profitability of the trade (Caplan, et al., 2009). But beyond failure at curbing the trade, have the legal instruments facilitated the trade? The potential role of law in facilitating the trade, among other elements, is examined below.

7.1. Current Attempts: Non-market options

There have been at least two approaches to meet the demand for organs. The leading question for these approaches has been thus: "How can an increase in the supply of organs be fostered through legal and regulated channels?"

One way involves instituting a "presumed consent" or "opt-out" system. This means that a person is automatically presumed to be an organ donor when they die unless they explicitly refuse to be donors (Hentrich, n.d.) through the option: "check the box below if you do not want to participate in the organ donor program." Opt-out is the practice in European countries such as Spain, Wales, Scotland, Belgium, Luxemburg and Bulgaria (Lee & Tham, 2022).

In other countries, an opposite system is in place (Hentrich, n.d.). That is, a person has to opt-in to organ donation by making his consent known before death. So, it is "check the box below if you want to participate in the organ donation program" (Ariely, 2011; Lee & Tham, 2022). This seemingly minor change in form has been reported to yield noteworthy results. In opt-out countries, where individuals "opt-in" by default, the effective consent to donation was higher (Lee & Tham, 2022).

Organ trade has legal, medical, and ethical components. Nudging touches on the ethical component. Nudges are defined as "subtle changes to the design of the environment or the framing of information that can influence our behaviours" (Thaler & Sunstein, 2008). The use of nudges in healthcare is generally restricted to improving patient outcomes and healthcare delivery. Through intentional design, rigorous experimentation, and systematic evaluation (including evaluation of ethical concerns), there is an opportunity to expand the use of nudges in healthcare settings.

7.2. Suggested approaches in literature: Market options

There are two approaches to operationalizing market-based systems for organ trade in literature. The first is an incentive-based governmental regulation and the second is market-based sales. The incentive-based governmental regulation would involve some material inducements – which may be financial – before a kidney is given (Hentrich, n.d.). However, the government would serve as an ombudsman. That is, individuals cannot simply walk into a shop and obtain new kidneys. The government would facilitate and set terms for the exchange and would determine and arbitrate where wrongdoing is reported.

The incentives would come from the government. It would arise from the individual desiring to buy a kidney. This has the potential to protect the human rights of both the buyer and the seller. In effect, the government became what the broker was on the black market – albeit, hopefully, a beneficent one.

The second system which is a sales system is akin to walking into a shop to buy a kidney. When questions such as who would set the prices and who would protect rights arise, it becomes suggestive that the market-sales system may be fraught with the challenges of a "winner-takes-all" market system. The markets operate based on profit-making. The terms of the trade would thus be set on this basis and inequality would be widened. Those who desire kidneys would only get them if they were wealthy enough. Those who desire to sell kidneys would only be able to do so if the going prices offer the market a plump enough profit.

The potential buyers who are not rich enough, would not get organs. Those potential sellers who are not willing to lower their price enough would not be able to sell kidneys. Apart from having similar characteristics to the black market, this sales system would only institutionalize the black market.

8. Lessons from Iran (*with adjustments*)

> *There is no commercialism. There are no middlemen or companies to sell the kidneys. No patient can go and buy a kidney. There is no benefit to the transplant team. The operation is just part of the overall medical program at the university. There are no foreign recipients. Nobody can come to Iran to buy kidneys … There are no foreign donors … Rich and poor are transplanted equally. There is no discrimination. The donor is free to refuse the government reward (BNET, 2003).*

The above is a statement by an Iranian transplant surgeon. An immediate response would be that this is too good to be true. That it cannot be confirmed (Tober, 2007). Whether true or not, it sets remarkably exacting standards for how organ trade is to operate. Key clauses of the statements are taken apart to build a case for what can be a model for an organ trade market.

8.1. There is no commercialism. There are no middlemen or companies to sell the kidneys

This damaging role of middlemen in organ exchanges has been discussed above. The health and human rights of the most vulnerable persons – the dying person who needs a kidney to survive or the dying person who needs some money to survive – are best protected when the aim of one of the parties in the transaction is strictly profit-making or rent-seeking. It has been suggested that rights and health can be best protected in this setting through legal measures, self-regulation by the medical establishment, and increased awareness.

8.2. There is no benefit to the transplant team

For all else that organ harvest and transplant is, it is a surgical procedure. With the profit margins that may be available to medical teams due to the organ black market, organ trade is more than a surgical procedure. The "eligibility" of medical staff for profit is instrumental in participation in the organ trade. Where there is no benefit to them (apart from that due to a surgeon performing any other procedure), the chances of them keeping aside medical ethics would be slimmer.

Even in a new paradigm where organ sales are legal, surgeons should be able to perform their duty without the corrupting/tempting potentials of extra wealth. The absence of wealth may make transplantation on the black market more attractive for the unscrupulous surgeon. This is true. But the thinking is that the open trade of organs (as in the Iranian case) would shrink the profits arising from the black market and thus the number of surgeons enabling it with their skill.

8.3. There are no foreign recipients. There are no foreign donors

It is the norm in the black market that buyers from wealthy countries get their supplies from sellers from poor countries. Brokers peg both selling and buying costs on prevailing income reference points and contexts. For example, a kidney could cost either $10,000 or $200,000 depending on the country from which the buyer is. A kidney could be sold for $1,000 or $20,000 depending on where the individual is from. Crossing national borders facilitates the profitability of the black market. Restricting it to national borders would discourage medical tourism and would weaken the idea that organ transplantation is a branch of surgery where the wealthy use the organs of the poor as a spare part factory.

8.4. Rich and poor are transplanted equally

Transplantation must not become a tool for health inequalities. Therefore, the price fixed must be one that would be fair and not unduly beyond the reach of the poorest of citizens. There must also be checks in place to ensure that the wealthy do not skew the availability of these organs to themselves through corrupt practices. This skewing is present even in the current donation models of organ transplantation (Hentrich, n.d.).

8.5. The donor is free to refuse the government reward

Repugnant trade is more than just a fancy concept. It has been reported that when organ donation became monetized, some individuals shied away from donating as they felt that the payment was putting a cost on their moral actions. In the Iranian case, such persons have an option: if your principles prevent you from selling your organs, you could donate them instead knowing that the government was not going to force you to prove altruistic motives. Indeed, such individuals in the donation models of organ transplantation may not be able to donate however strong their will is as the law demands that the recipient and donor be of the same family or prove altruism.

9. Conclusion

"Donate a kidney, buy the new iPad." This was the advertisement slogan of an organ broker in China (Campbell & Davison, 2012). It underlines what has been the basis of the foregoing: those who could not have afforded an iPad would change their fortunes by "donating" a kidney. The vulnerable were preyed upon, laws broken, and criminal syndicates enriched. The medical need for kidneys is soaring. The current model of obtaining kidneys is not fully serving demand. Laws against kidneys may be working in favour of the illicit organ trade.

This essay studies the historical, financial, legal, sociological, and ethical elements of organ transplantation and trade. The arguments were consummated by studying the Iranian system – the only one that allows for trade in kidneys. This study would offer options on how to approach at least two problems that would remain with us. Namely, the need for kidney transplantation and the growth of the illicit organ trade.

Organ trade should be legalized. Government should be the sole regulator. There should be a fixed uniform national pay to donors. There should be no cross-border trade. For deceased donations, there should be an opt out system that would take off after a sweeping advocacy campaign on the system and the need for organs.

Organ trade should be legalized. Governments, in collaboration with professional medical bodies, should be the sole regulator. For deceased donations, there should be an opt out system that would be set in place after a sweeping enlightenment campaign on the system and the need for organs. There should be a fixed uniform national pay to donors (or their next of kins). There should be no cross-border trade.

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Research Paper

Digital Shadows in Illicit Financial Flows: Unraveling Nigeria's Cryptocurrency Paradox and Illuminating Pathways to Financial Integrity

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Abstract: Nigeria's lead in global cryptocurrency adoption amidst a slumping economy presents a fascinating paradox. This raises, inter alia, concerns about the factors driving cryptocurrency adoption and its potential for illicit financial flows in the country. Consequently, this study aims to identify the key factors facilitating the use of cryptocurrency for illicit financial flows in Nigeria, assess its impact on the country's economy, and propose workable solutions to address the challenges. Leveraging extant literature, an interview, and Davis' Technology Acceptance Model (TAM) for empirical analysis, the paper identifies the decentralized nature of the blockchain and the anonymity provided by mixers, tumblers, and privacy coins as "perceived usefulness", and the relatively higher cost and delays of international transactions with commercial banks in comparison to the blockchain as the "perceived ease of use". The paper further submits that a porous legal framework guides the use of cryptocurrency in Nigeria, which is part of the enabling factors of on-chain illicit financial flows in the country. This is despite recent policy shifts, including the introduction of Nigeria's Central Bank Digital Currency (CBDC), which have not effectively addressed these issues. The research concludes that, notwithstanding the risks associated with cryptocurrencies, they also present opportunities for financial inclusivity.

Keywords:
1. Nigeria
2. Cryptocurrency
3. Illicit Financial Flows
4. Finance
5. Blockchain
6. Paradox

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1. Introduction

Today's interconnected world and evolving technological ecosystem have made combating illicit financial flows (IFF) difficult for countries and international authorities. While digital technology has long been utilized in finance, the rise of distributed ledger technology (DLT) like the blockchain has catalyzed the creation and widespread adoption of new digital currencies. These encompass private and public forms, including central bank digital currencies (CBDCs), e-money[1] and cryptocurrencies (Kim et al. 2024, p. 2). Alongside this novel shift to digital finance, is developing economies' burgeoning adoption of cryptocurrencies. A report by Chainalysis (2023, pp. 5-85), posits that the continued regulatory clarity of cryptocurrency worldwide has given rise to developing countries taking their place as global leaders in cryptocurrency adoption. According to which, it also ranks Nigeria in 2nd place, just after India, on the 2023 global cryptocurrency adoption index.

Historically, Bitcoin remains the first cryptocurrency invented. The maiden cryptocurrency was introduced in 2008 through a paper posted to a cryptography mailing list under the pseudonym "Satoshi Nakamoto" titled "Bitcoin: A Peer-to-Peer Electronic Cash System" (Grover et al., 2019, p. 772). The posted paper described establishing a decentralized peer-to-peer system of transactions devoid of interference from the government and financial institutions. The system sought to supplant conventional trust, accountability, and oversight components inherent in commercial and traditional exchange practices. Nakamoto's vision for Bitcoin transactions materialized with the release of the open-source "Bitcoin-Client" and the mining of the initial block[2] of Bitcoins, known as the "genesis block". Over time, Bitcoin gained prominence as a means of transaction, finding utility within global organizations such as WikiLeaks and the Electronic Frontier Foundation. Further underscoring its influence, the foundation pivoted towards the coin's standardization, protection, and promotion (Jejelola, 2021, pp. 12-13).

Akin to cryptocurrency, transnational financial crimes, while longstanding, have taken on new forms and increased magnitude in recent times. In Nigeria, cryptocurrency plays an increasingly significant role in these crimes (Jejelola, 2021, p. 23). The emergence of cryptocurrencies in mainstream markets has transformed conventional ways of money laundering and fraudulent transactions. Technology such as blockchain now plays a crucial role in enabling clandestine acquisition and cross-border transfer of illicit funds. In 2023, the total value of cryptocurrencies sent from illicit addresses on the blockchain amounted to \$22.2 billion[3], slightly lower than the \$31.5 billion recorded in 2022 (Padalkar, 2023, p. 2; Chainalysis, 2024, p. 23). The United Nations Conference on Trade and Development (UNCTAD) (2020, pp. 155-171) estimated an annual loss of \$88.6 billion between 2013 and 2015 in Africa through IFF–trade misinvoicing and other balance-of-payment transactions, with the single largest share of about \$41 billion accruing to Nigeria. Thus, posing a substantial economic challenge for the country, and by extension, the continent.

Considering the above challenges, this essay uses a qualitative research approach to unravel the enabling factors of illicit financial flows on blockchain technology, the consequent impact in Nigeria, and the practical solutions to mitigate its unethical usage. Hence analyzing, inter alia, the intrinsic complexities of decentralization and anonymity of cryptocurrencies cum blockchain, and the porous legal framework that drives its use for illegal financial cross-border transfers in Nigeria. As a scientific effort, the essay adopts Fred Davis' Technology Acceptance Model (TAM), which lends clarity to the reasons why technology, in this case, cryptocurrency, is becoming a mainstay channel for IFF in Nigeria and is used by criminal entities to obscure

[1] E-money as used here refers to a digital form of cash/currency electronically stored and used for payment transactions.
[2] Cryptocurrency block is a record of the most recent cryptocurrency transactions.
[3] The designated currency symbol '\$' as used here and on other pages refers to the United States' dollar.

cross-border financial fraud. The theoretical indicators of TAM, "Perceived usefulness[4]" and "Perceived ease of use[5]", explain reasons for adopting blockchain technology for IFF in Nigeria. To help inform the discussion, data were collated from Chainalysis - a foremost blockchain research firm; the Economic and Financial Crimes Commission (EFCC); the Nigerian Financial Intelligence Unit (GFIU); and the Central Bank of Nigeria (CBN) to ascertain the use of cryptocurrency for IFF in Nigeria. More so, in establishing other enabling conditions for the use of cryptocurrencies for IFF, a key informant interview (see Appendix 1) was conducted with a staff of the United Bank for Africa (UBA) to evaluate the "ease" of international transactions on the blockchain as against centralized financial institutions (CFI).

Furthermore, there is a paucity of academic literature regarding cryptocurrency adoption, payment and usage in Nigeria. However, when it comes to the subject of cryptocurrency, two contrasting scholarly perspectives have gained significant acceptance. On the one hand, cryptocurrencies are seen by some scholars as the future of payment systems, facilitating swift and efficient transactions between users. On the other hand, others argue that cryptocurrencies provide criminals with a method to store and transfer illegal funds and evade detection by financial authorities. Chen and Bellavitis (2019, pp. 1-2) argue that decentralized finance can reduce transaction costs, broaden financial inclusion, increase access to basic financial services, encourage permissionless payments, and create new opportunities. Buttressing this point further, Oyeyemi et al. (2024, p. 182) affirm that decentralized finance can reshape the structure of modern finance and create a new landscape for entrepreneurship and business innovation. On the flip side, Schär (2021, pp. 153-154) fears that decentralized finance is a segment of financial markets with certain risks, even though it offers efficiency, transparency, accessibility, and interoperability advantages. Upholding Schär's polemic, Zetzsche, Arner, and Buckley (2020, p. 172) argue that decentralized finance has the potential to undermine traditional forms of accountability and erode the effectiveness of traditional financial regulation and enforcement.

Moreover, the significance of this essay to extant literature is its specific study on the complex instigators of blockchain technology and its concomitant currencies for IFF in Nigeria; the succinct comparative analysis of the blockchain and centralized financial institutions (banks) in Nigeria to ascertain the "ease of use" of these channels for IFF; the practicable recommendations, and the variable of its data recency as compared to other studies.

2. Historical overview of illicit financial flow in Nigeria

IFF represents the portion of finance with illicit origin and usage, such as tax evasion, trade mispricing and misinvoicing, currency counterfeiting, terror financing, drug and human trafficking, etc., that either crosses borders or is transferred out of a country (Okojie, 2018, pp. 3-4). Following the decline in oil prices during the 1980s and the subsequent austerity measures linked to Nigeria's Structural Adjustment Programme (SAP), the country witnessed a surge in money laundering activities. This period spurred unprecedented greed and avarice, leading to severe financial crimes among Nigerians (Sanusi, 2023, p. 1). Despite international efforts to combat money laundering, the crime exacerbated and continued to erode Nigeria's economic stability. In 2000, Nigeria was identified by the Financial Action Task Force (FATF) as one of the non-cooperative countries or territories (NCCTs) in the fight against money laundering. Equally, the United Kingdom's (UK) financial supervisory authorities estimated that illicit transactions in UK accounts originating from Nigeria totalled approximately \$1.3 billion between 1996 and 2000 (Kama, 2005, p. 31).

Recognizing the detrimental impact of these criminal activities on the economy, especially during the country's pursuit of economic revitalization, the Federal Government of Nigeria established the Independent Corrupt Practices and other Offences Commission (ICPC) in

[4] An indicator that implies people will use technology mainly because of its usefulness.
[5] An indicator that explains that technology will be adopted based on the ease experienced while using it.

September 2000 and the Economic and Financial Crimes Commission (EFCC) in March 2003 (Micah et al., 2022, p. 88). These agencies were tasked with the investigation of economic and financial crimes within the country, aiming to hold perpetrators accountable. The EFCC was saddled with the authority to confront economic and financial crimes, having been established through an enabling Act of the National Assembly in December 2002. According to Section 7(2) of the EFCC (Establishment) Act, 2001, the Commission serves as the coordinating body for the enforcement of the Money Laundering (Prohibition) Act, 2004 (Kama, 2005, p. 32). Despite the constituted authorities and enacted Acts to mitigate against financial crime, IFFs in Nigeria persisted. According to Ngwakwe (2015, p. 124)**,** leveraging data from Global Financial Integrity (GFI), Nigeria's IFF between 2004 and 2012 was well over $150 billion:

Table 1: Illicit Financial Flow in Nigeria 2004 – 2012

Year	Amount ($)	Percentage of GDP	Percentage increase/decrease
2004	1.6 billion	-	-
2005	17.8 billion	6.8%	1012.5%
2006	19.1 billion	6.8%	7.30%
2007	19.3 billion	1.2%	1.05%
2008	24.1 billion	7.4%	24.87%
2009	26.3 billion	7.7%	9.13%
2010	20.7 billion	4.9%	21.29%
2011	20.1 billion	3.8%	2.90%
2012	7.9 billion	1.2%	60.70%

Source: Ngwakwe (2015, p. 124) and Joseph (2019, p. 9)**.**

The data presented above demonstrates the variability in illicit financial flows within Nigeria before the widespread adoption of cryptocurrency. In 2004, a few years after the SAP, IFF totalled $1.6 billion, rising significantly to $17.8 billion in 2005. Subsequent increments were more moderate, ranging from about 1% to 25%. Subsequently, after peaking at $26.3 billion, the values begin to decline, with a $21.3% decrease to $20.7 billion and a further slight drop to $20.1 billion. The most substantial decrease is observed from $20.1 billion to $7.9 billion, amounting to a 60.7% reduction. These variations suggest periods of high and low illicit flows. Also represented are the percentages of IFFs fluctuations to the Gross Domestic Product (GDP) of Nigeria for each year (Ngwakwe, 2015, p.124**;** Joseph, 2019, p. 9).

3. Cryptocurrency and illicit financial flow in Nigeria: The adoption, impact, and trends

Cryptocurrency, a decentralized and encrypted digital currency, has emerged as a groundbreaking innovation globally, including in Nigeria. Derived from blockchain technology - a revolutionary subset of distributed ledger technology, cryptocurrency operates on a network of interconnected computer servers known as nodes. This decentralized system facilitates the secure recording and sharing of data across multiple ledgers, ensuring transparency, immutability, and security. Users' wallets must possess private and public encryption keys to transact within the cryptocurrency network. The private key, often backed up by seed phrases, is used to authorize transactions, prove ownership of wallets and funds, etc., while the public key functions as an address on the blockchain network and can be used in verifying sender's identity (Jejelola, 2021, pp. 10-11; Oladipupo and Amodu, 2022, p. 116). Cryptocurrencies fulfil distinct roles for users, primarily functioning as speculative investment vehicles or mediums of exchange. While some cryptocurrencies serve both purposes, others are specialized in one function. For instance, Bitcoin—commonly regarded as "digital gold"—is predominantly held as a store of value for capital appreciation. In contrast, stablecoins such as USDT (Tether)[6] are designed to facilitate transactions due to their price stability, pegged to fiat currencies like the United States dollar (Griffin, 2025, p. 30).

3.1 Adoption

In recent times, Nigeria has witnessed a surge in cryptocurrency adoption and blockchain technology. A large segment of the country's tech-savvy youth has embraced digital assets, contributing to Nigeria's position as a leading adopter of cryptocurrencies. Factors such as limited financial services, high inflation, currency depreciation, and a young demographic have also fueled this growth (Greenfield, 2020, p. 5). Besides being ranked 2nd on the 2023 global cryptocurrency adoption index, Nigeria ranks 1st on peer-to-peer (P2P) exchange trade volume, 2nd in centralized service value received and 3rd in retail centralized service value received globally (see Figure 1). Recording over $50 billion worth of Bitcoin and stablecoins volume received by indigenous exchanges between August 2021 and July 2023. The nation maintains a significant 9.0 % year-over-year (YoY) volume growth between 2021 and 2023 globally, placing it third globally based on YoY and the studied period (Chainalysis, 2023, pp. 83-86). However, alongside these outstanding adoption indices of cryptocurrency in Nigeria are the challenges of huge illicit financial flows, cybercrimes, and tax evasion, resulting in economic instability and poverty in the nation.

Figure 1: The 2023 Global Crypto Adoption Index Top 16

Country	**Region**	**Overall index ranking**	**Centralized service value received ranking**	**Retail centralized service value received ranking**	**P2P exchange trade volume ranking**	**DeFi value received ranking**	**Retail DeFi value received ranking**
India	Central and Southern Asia and Oceania	1	1	1	5	1	1
Nigeria	Sub-Saharan	2	3	2	1	4	4
Vietnam	Central and Southern Asia and Oceania	3	4	4	2	3	3
United States	North America	4	2	8	12	2	2
Ukraine	Eastern Europe	5	5	3	11	10	10
Philippines	Central and Southern Asia and Oceania	6	6	6	19	7	7
Indonesia	Central and Southern Asia and Oceania	7	13	13	14	5	5

[6] USDT is the symbol for Tether, a cryptocurrency that is pegged to the U.S. dollar

Pakistan	Central and Southern Asia and Oceania	8	7	7	9	20	20
Brazil	Latin America	9	9	11	15	11	11
Thailand	Central and Southern Asia and Oceania	10	8	15	44	6	6
China	Eastern Asia	11	10	5	13	23	23
Turkey	Middle East and North Africa	12	11	9	35	12	12
Russia	Eastern Europe	13	12	10	36	9	9
United Kingdom	Central, Northern and Western Europe	14	15	20	38	8	8
Argentina	Latin America	15	14	12	29	19	19
Mexico	Latin America	16	17	18	30	16	16\

Source: Chainalysis (2023, p. 5)

3.2 Impact

In 2023, the Central Bank of Nigeria (CBN) imposed stringent regulatory measures against Binance, a US-based cryptocurrency exchange, to stabilize the Nigerian naira[7] and bolster the national economy. The CBN alleged that Binance was being exploited by malevolent actors engaged in illicit activities such as money laundering, terrorism financing and market manipulation, which have significantly distorted Nigeria's economy and contributed to the naira's depreciation. This is evidenced in the plummeted exchange rate of the naira against the US dollar[8] from around ₦461 per dollar in May 2023 to over ₦1500 per dollar in August 2024. Additionally, the CBN accused Binance of providing services in Nigeria without remitting taxes, thus depriving the nation of crucial revenue. Dr. Olayemi Cardoso, the CBN Governor, revealed that an estimated $26 billion had been transacted without tax through Binance in Nigeria by unidentified sources within a year, consequently prompting concerns regarding its impact on economic stability (Ogege, 2024, pp. 19-20).

Consequently, according to the World Bank Group (2024, p. 1), Nigeria's current economic inflation rate has reached a 24-year apex of 31.7% in February 2024, indicating a dire economic quagmire facing the country. Ruth and Ismail (2024) lend credence to this, stating:

> "Nigeria is facing its worst economic crisis in decades, with skyrocketing inflation, a national currency in free-fall and millions of people struggling to buy food. The pain is widespread. Unions strike to protest salaries of around $20 a month [see Figure 2]. People die in stampedes, desperate for

[7] Naira, designated "₦", is the official currency of Nigeria

[8] Google Finance (2024) https://www.google.com/finance/quote/USD-NGN?window=5Y

free sacks of rice. Hospitals are overrun with women wracked by spasms from calcium deficiencies"

Figure 2: Nigerians and unionists during the 2024 "End Bad Governance and Hunger" protest

Source: Voice of Liberty (2024, p. 1)[9]

From an appraisal viewpoint, the current economic crisis faced by Nigeria presents a paradoxical juxtaposition: Nigeria simultaneously occupies a prominent position in global cryptocurrency adoption while being among the worst economies globally. Given the country's well-documented issues with systemic corruption [10] and economic mismanagement, this incongruity between Nigeria's lead in cryptocurrency adoption and its severe economic difficulties suggests a potential correlation. Specifically, it raises the hypothesis that cryptocurrency may be serving as a robust conduit for illicit financial transactions and potentially intensifying the nation's economic challenges. This could be so because the impact of IFFs on Nigeria's socio-economic landscape is huge. For example, Nigeria has more than 83 million citizens (about 40 % of the population) living in extreme poverty of less than $1.9/day[11] as per a 2019 estimate, while the number of unemployed Nigerians has reached 23.2 million (33.3 %) in the fourth quarter of 2020 as against 21.77 million in the second quarter[12].

Mobilizing resources lost through IFFs, which manifest as both outflows and inflows of funds, can provide the needed funds to improve the Nigerian economy. The outflows of illicit funds, which occur when funds are illegally moved abroad through tax evasion by multinational corporations, embezzlement by corrupt officials, oil theft, or money laundering, deprive the government of critical revenue needed for public investment. Meanwhile, inflows—such as illicitly repatriated profits, laundered money recycled through fake investments or smuggled goods—distort markets, fuel corruption, and create a bad reputation for the nation, which further weakens the economy. For instance, when stolen funds re-enter Nigeria disguised as foreign investment, they often bypass proper taxation and regulation, perpetuating a cycle of

[9] Voice of Liberty NG (2024) https://voiceoflibertyng.com/endbadgovernance-organisers-plan-million-man-grand-finale-protest-across-nigeria/
[10] Ranks 145 on the Global Corruption Perception Index, 2023 https://www.transparency.org/en/cpi/2023
[11] Akwagyram, Alexis (2020). Forty percent of Nigerians live in poverty: Stats office. www.reuters.com
[12] Adegboyega, Ayodedeji (2021). Nigeria's unemployment rate rises to 33.3% - highest in over 13 years. www.premiumtimesng.com

graft and lost revenue. Both types of IFFs drain resources that could otherwise fund infrastructure, education, and healthcare, while also discouraging legitimate investment.

According to the Mbeki Panel report (2015), it would have taken about 10 years between 2000 and 2011 to meet the MDG goal of reducing child mortality to 77 from 186 per 100,000 if IFFs were eliminated, as against 28 years it would take based on current arrangement (ANEEJ, 2018, p. 20). Illicit financial flows through cryptocurrency divert public resources intended for public welfare, resulting in both immediate and long-term consequences. Nigeria's experience with recovering Abacha's stolen funds highlights the significant costs associated with addressing IFFs. Despite recovering $2.4 billion[13] after a twenty-year process, the government incurred substantial expenses, including foreign jurisdiction levies and recovery agent fees. Additionally, the recovered funds often represent only a fraction of their potential value due to lost interest, while the government incurs significant costs for recovery efforts. For example, the second recovered loot of Abacha, worth $322.5 million, only accrued $1.5 million in interest, representing a mere 0.46 percent. Meanwhile, Nigeria paid 4 percent of the recovered loot, amounting to $96 million (4% of $2.4 billion), to the recovery agent. Also, the long-term impact in terms of the absence of infrastructure, unavailable social services and denied opportunities, which the stolen funds could have generated, cannot be quantified (Africa Network, 2018, p. 21).

3.3 Trends:

The recent trends of illicit financial flows facilitated by cryptocurrency in Nigeria have manifested in a diverse array of activities, encompassing tax evasion, fraud and Ponzi schemes, money laundering, and the financing of illegal activities. As evidenced in Table 2, these illicit activities have had a profound and detrimental impact on Nigeria's economy and its citizens. The widespread use of cryptocurrency has made it easier for people and businesses to engage in illegal activities, harming financial systems and public trust. To this day, reports on financial crimes by the Economic and Financial Crimes Commission (EFCC) involving cryptocurrencies persist, as seen in reported cases of huge IFFs involving Nigeria and other countries below:

[13] BBC (2021). Sani Abacha: the hunt for the billions stolen by Nigeria's ex-leader. www.bbc.co.uk

Table 2: Recent Trends of Illicit Financial Flow using Cryptocurrency in Nigeria

[14]S/N	Jurisdictions	Amount	Report details
1	Kenya/ Nigeria	$349,000	In 2021, the EFCC received a report from a foreign law enforcement agency regarding an alleged fraud case of $349,000 involving two suspected Nigerian fraudsters who had relocated to Kenya. Analysis of the suspects' bank statements uncovered regular payments from the same source, leading to the discovery that a final-year university student in Nigeria had a turnover exceeding N1.2 billion (approximately $1.6 million) in one of his accounts. The student, arrested as the money handler, confessed to knowingly exchanging fiat currency for cryptocurrency for various fraudsters, including the two initial suspects under investigation.
2	Vietnam/Nigeria	$2,000,000	The EFCC received an Intelligence Report from the Nigerian Financial Intelligence Unit (NFIU) regarding the account activities of "Chinelo"[15], a waitress at "Jans Hotels" in Nigeria, prompting an immediate investigation. Bank account intelligence linked to the suspect was gathered, and further information was requested from competent authorities, including the regulated crypto exchange**,** Binance where the suspect held a wallet account. Investigations uncovered that the suspect was a legitimate crypto exchange service provider engaged by an individual named "Henry" to convert crypto valued at over $2,000,000 to cash for someone identified as "Jerry" purportedly residing in Vietnam. "Henry", the principal suspect, used the proceeds to purchase properties valued at over N315,000,000 (approximately $416,000). "Jerry" is presently evading apprehension due to suspicions surrounding the source of the sold cryptocurrency.
3	USA/Nigeria	$95,000	In 2021, the EFCC conducted a sting operation leading to the arrest of a fraud suspect identified as "Mr. Jackson" after a victim filed a complaint about a suspected romance scam. Forensic analysis of "Mr. Jackson's" device revealed his impersonation as an American Surgeon on a UN Mission to the Middle East, targeting a Korean American victim. He manipulated her into financially supporting him through crypto payments, claiming that cash transactions were challenging. "Mr. Jackson" falsely promised marriage upon his return and cited an expected $5 million payment to start a life together. Upon arrest, over $95,000 worth of Bitcoins were seized. "Mr. Jackson" was convicted and the assets were ordered to be forfeited to the victim.
4	South Africa/ Norway/United Kingdom /Barbados	$1,600,000	In 2022, Benjamin Ikaa was convicted and sentenced to five years in prison for his involvement in a $1.6 million cryptocurrency fraud. Ikaa pleaded guilty to a one-count amended charge under Section 14(2) of the Cybercrime (Prohibition Prevention etc.) Act 2015. His arrest by the EFCC stemmed from his operation of a fictitious cryptocurrency investment website (www.mcharveycapital.com), through which he promised significant investment returns. This led to unsuspecting victims from South Africa, Norway, the United Kingdom, and Barbados incurring a loss of about 26 bitcoins, equivalent to $1.6 million as of February 2023.

[14] The font size and page format used for Table 2 is 10 and landscape respectively. This is to allow for a fuller capture of more case reports.
[15] All names in inverted commas used in these case reports are pseudonyms, as the EFCC withheld the names of some individuals involved in these crimes.

5	China/Nigeria	$72, 000,000	In 2022, the EFCC conducted a sting operation in Lagos, resulting in the apprehension of a suspect involved in romance scams while his brother managed to escape. Interrogations with the captured brother revealed their joint involvement in the scams, with the escapee brother providing foreign accounts to store the proceeds. An investigation into the escapee brother's account uncovered a suspicious inflow of thirty million naira (approx. $39,628.91), originating from a company, which reported an unusually high turnover of fifty-seven billion naira (approx. $75,294,938.20) within a year. Seven other companies were identified for making significant deposits into the account. A Chinese woman operated the account from China, engaging in cryptocurrency transactions and making naira payments. It was discovered that the escapee's brother was involved in selling cryptocurrency to the Chinese woman. The Chinese suspect was later arrested, and the investigation remains ongoing.
6	Nigeria, UK, US, Thailand	-	In 2020, three suspects were apprehended in Lagos, Nigeria as part of a joint INTERPOL-Group-IB and Nigeria Police Force cybercrime investigation. They were accused of creating phishing links, domains, and mass mailing campaigns to impersonate organization representatives, deploying 26 malware programs, spyware, and remote access tools. According to Group-IB, the group had targeted government and private sector entities in over 150 countries since 2017, operating through various subgroups with several individuals still at large. The investigation further revealed that the suspects utilized bank and cryptocurrency accounts belonging to their foreign associates to receive illicit payments, with a particular focus on a bank account provided by their counterparts in the UK, US, and Thailand to receive criminal proceeds from victim companies. The monetary amount of their nefarious activities over the years was not given.
7	Kenya, Nigeria, USA, UAE, Europe	$220,000,000	On April 27, 2022, a report of a multi-billion-dollar money laundering syndicate surfaced from the asset recovery agency, drawn from the financial crime and investigation unit, involving top companies and directors from both Nigeria and Kenya. The suspects were said to have used Bitcoin to conceal their transactions. According to a statement filed by European investigators, the Nigerians involved in the scandal were Mr. Olubunmi Akinyemiju, Mr. Eghosasere Nehikhare and Mr. Olufemi Olukunmi Demuren. The three Nigerians were linked to Ksh25.6 billion (US$220 million) moved into Kenya between October and November 2020. The trio were alleged to have first bought 1,113 Bitcoins worth KSh5 billion (US$43 million) in the UAE, the United States, and several other European countries, including Kenya's cryptocurrency exchange platform, BitPesa. European investigators further believe that the Nigerians may have transacted in Kenya long before setting off alarm bells in Europe. The cryptocurrency purchase appears to have happened a month before the three wired Sh25.6 billion (US$220 million) from Lagos to a network comprising more than ten companies in Nairobi.[16]

Source: Compiled by author from EFCC website[17] and NFIU (2023, pp. 24-54).

[16] Business Daily (2021) ''Kenyan politician, Nigerians bought Sh5 billion Bitcoins in two months'' https://www.businessdailyafrica.com/bd/economy/how-nigerians-bought-sh5-billion-bitcoins-in-two-months-3798408

[17] Economic and Financial Crimes Commission (2024) https://www.efcc.gov.ng/efcc/other-pages/smart-search?q=cryptocurrency (Official website of the EFCC of Nigeria)

4. Intrinsic enablers of on-chain illicit financial flow in Nigeria

The nexus between illicit financial flows and cryptocurrency hinges on both intrinsic and extrinsic factors. According to Padalkar (2023, p. 8), "One of the core principles of criminal transactions revolves around increased anonymity. Three blockchain features enabling anonymity are elliptical key cryptography, secure hashing, and decentralization. In addition to these features [are], blockchain mixer, chain hopping, and stealth addressing [which make] detecting the real actors in the transactions become nearly impossible." It is important to state that while these services and privacy coins may guarantee some level of anonymity for users, on-chain experts and authorities can detect illicit funds on centralized exchanges (CEXs) through user errors (reusing addresses and leaking of IPS[18]), spending patterns and exchange compliance measures such as KYC documentations. To establish clarity, this section of the paper only analyses blockchain's internal enablers for IFF, excluding external factors such as an inadequate legal framework, the bottleneck of the centralized financial sector, and the absence of a universal legal framework and collaboration among international economic crime authorities, among others. It is equally imperative to note that while there are no universal legal frameworks on the regulation of cryptocurrency, there are extradition treaties, collaborations across borders between law enforcement agencies, etc..

4.1 Decentralization

Blockchain technology offers a significant advantage by streamlining the execution of various transactions that typically necessitate a third party's involvement, such as a bank, securities settlement system, broker-dealers, or trade repository. Essentially, blockchain promotes trust and facilitates decentralized transaction authentication. In simple terms, it enables the elimination of intermediaries, often referred to as the "middleman" (Houben and Snyers, 2018, p. 17). It is this elimination of centrality and supervision on distributed ledger technology that fosters the susceptibility of cryptocurrencies to illicit financial flows. Thus, it remains a perceived useful channel for money launderers. In Nigeria, despite the implicit ban[19] on cryptocurrency, the use of Bitcoin and other cryptocurrencies continues due to the elusive element of decentralization (Padalkar, 2023, pp. 6-34). Along this line, decentralization, especially in terms of decentralized exchanges, presupposes that cryptocurrencies are useful for concealed cross-border transactions in Nigeria, especially as they help in eliminating third-party supervision and cost.

4.2 Anonymity

There appears to be a widespread misconception regarding anonymity in virtual currencies. While cryptocurrencies are often perceived as entirely anonymous, their true nature is better described as pseudonymous. This distinction arises from the public and transparent characteristics of blockchain technology (Balaskas and Franqueira, 2018, p. 5). Balaskas and Franqueria's assertion on the default pseudonymous nature of cryptocurrencies is worthy of semantic clarity. It is essential to note that anonymity is not an inherent characteristic of the blockchain. As Bancroft (2020, p. 1) puts it, "Anonymity must be produced by the user. Even then, anonymity is contingent and temporary. It is contingent on the ability of the user to hide in the crowd […]." This means that privacy coins and mixing services enable users' anonymity on the blockchain and not the other way around. The blockchain itself does not shield illicit activity, as its ledgers are transparent. However, users can obscure the origin, amount, and destination of illicit funds through privacy tools and covert services; transactions that might otherwise go undetected except by on-chain experts or advanced analytics like that of Coinbase,

[18] Internet Protocol addresses refer to the unique identifiers assigned to devices participating in peer-to-peer (P2P) networks.

[19] An implicit ban is a ban that aims at preventing the use of cryptocurrency without directly outlawing it.

Chainalysis, Fireblocks etc. Equally, the anonymity of payments enabled on the blockchain has not only made it easier to perpetrate illicit transnational transactions like tax evasion but also cybercrimes like the “Yahoo-Yahoo”[20] of Nigeria (Jejelola, 2021, p. 30).

4.3 Privacy coins

Transactions carried out on the blockchain, particularly those using public ledgers that are visible to the general public, can be traced. Through blockchain analysis, investigators can follow suspected funds on the blockchain and identify the wallets they have passed through (Balaskas and Franqueira, 2018, p. 1). Sadly, according to the Inter-governmental Action Group against Money Laundering in West Africa (GIABA) (2020, p. 4): ‘‘To increase the level of privacy [in other words, anonymity] that users have while transacting in crypto, an emerging form of cryptocurrency is gaining popularity. These are referred to as privacy-enabling cryptocurrencies, otherwise known as privacy coins. These types of coins differ from other cryptocurrencies in the sense that they provide their users with a degree of transactional privacy, while also providing the benefits of decentralization.’’ Privacy coins have gained profound acceptance stemming from their use for nefarious activities like illicit trades, money laundering, drugs, weapons and human trafficking (Harvey and Branco-Illodo, 2019, p. 6).

Monero, Zcash, and Mimblewimble are examples of popular privacy coins gaining huge usage. Monero is popular for mixing the sender’s transaction with past transactions (decoys), generating a one-time address for each transaction, and encrypting transaction amounts. Zcash proves a transaction is valid without revealing sender, receiver or amount, and offers users the option of shielded or transparent transactions, thus delivering flexibility. Mimblewimble encrypts amounts by combining confidential transactions and merging transaction data to ensure both privacy and scalability (Gopi et al., 2024, p. 7). Since CEXs often impose restrictions on some privacy coins, especially those that are hard to detect (See Table 3), P2P platforms and decentralized exchanges that are mostly KYC noncompliant serve as more viable alternatives for users seeking anonymity. Unscrupulous users who have accounts with these exchanges can transact with privacy coins by purchasing them with funds stored in stablecoins or received via other cryptocurrencies. Some may go as far as employing a virtual private network (VPN) during transactions for extra privacy.

Table 3: Privacy Coins on Centralized Exchanges

Privacy Coin	Centralized Exchange	Examples
Monero (XMR)	Mostly banned	Previously: Binance, Huobi
Zcash (ZEC)	Some exchanges	Binance, KuCoin, CoinEx
Mimblewimble(Grin/BEAM)	Few exchanges	Gate.oi, TradeOgre

Source: Scharnowski (2024, p. 6)

4.4 Tumblers, mixers and others

Tumblers are cryptocurrency services utilized when anonymity is not guaranteed, potentially revealing the owner of virtual coins. The legality of cryptocurrency tumblers is often considered a "grey zone" because even cryptocurrencies themselves are not universally legalized, and the process of "mixing" in tumblers represents a specific aspect of this legal uncertainty (Moslavac, 2019, p. 205). Criminal networks often employ tools and services such as mixers, bridges, swap services, and coin-join to enhance privacy and obscure the source of illegal funds. These mechanisms are considered useful as they significantly help in concealing the origin and flow of illicit assets by pushing them through a series of transactions (Padalkar, 2023, p. 8). According to a report by the Financial Services Agency (2022, p. 30), other factors enabling IFF with cryptocurrencies include:

[20] “Yahoo-Yahoo” is the popular name for cyber fraud in the local parlance of Nigerians. It is derived from Yahoo mail, the earliest channel used in perpetrating such crimes.

- Chain Hopping: This involves replacing crypto-assets with other crypto-assets, therefore making it difficult to trace the history of a transaction from one crypto-asset to another. For example, an individual wanting to chain hop $1000 worth of Bitcoin could do this by swapping it to Monero (XMR) for privacy, then convert it to Ethereum (ETH), and finally back to Bitcoin. Since Monero transactions are untraceable, the link between the original BTC and the final ETH is broken, making it harder for anyone to follow the money's path. This method leverages the features of privacy coins like XMR or ZEC to disrupt blockchain forensics.
- The use of decentralized exchanges (DEXs) and decentralized applications (DApps) remains the holy grail of criminal networks when it comes to on-chain IFFs. For example, a user can swap $1000 of Ethereum for Monero on a DEX like Uniswap, the trade executes automatically via code, and without a central authority. Since DEXs don't require KYC, and DApps operate on encrypted ledgers, the user maintains greater privacy compared to centralized platforms. According to Coingecko (2025), DEXs attract nearly 250 million users monthly[21].
- CoinJoin: This method involves pooling coins and combining multiple transactions to obscure the relationship between the originator's and beneficiary's addresses, thereby enhancing anonymity. For example, if senders A, B, and C each send $1000 in a joint transaction using tools like Wasabi Wallet or JoinMarket to automate this process, their inputs are mixed, and outputs are shuffled. Blockchain observers see a single transaction with three inputs and outputs, but can't determine who sent funds to whom. This breaks transactional links, making tracking difficult.

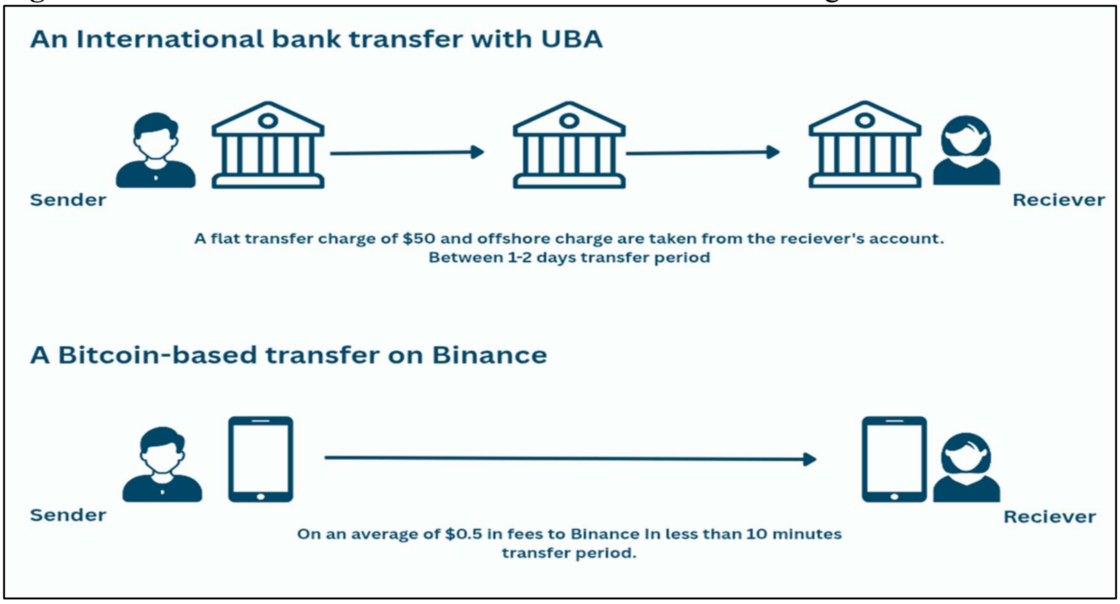
5. Ease of cross-border transactions on the blockchain vis-a-vis banks in Nigeria

According to available financial records, approximately sixty million Nigerians may not have bank accounts, and those who do face restrictions on daily international transactions, often limited to $100 due to the CBN regulations. These factors have prompted a shift towards internet banking and cryptocurrency investment. With a significant number of Nigerians having access to mobile phones and the internet, there has been a movement towards cryptocurrency, facilitated by exchange platforms that allow Nigerians to convert their funds into cryptocurrencies like "stablecoin", with minimal transaction fees and added protection from fund devaluation. Consequently leading to financial inclusion for Nigerians, particularly the youth (Jejelola, 2021, p. 21). In 2021, according to a report by the Deutsche Bank Research (2021, p. 15), cryptocurrency (Bitcoin) held a market capitalization of $1 trillion, making it the third largest currency in the world after the United States dollar and the euro based on currency circulation. Mid-year of the same year, cryptocurrency transactions in sub-Saharan Africa surged to $20 billion per month. This is equivalent to 13% of the region's monthly GDP of around $150 billion[22], 38% of annual remittance inflows of around $53 billion, and surpassing volumes of major national currencies like the West African CFA (XOF), South African Rand (ZAR) and the Nigerian naira (NGN) in cross-border flows (Fuje et al., 2022, p. 2; IMF, 2021)

This surge in the use of cryptocurrency is attributed to the advantages derived from using cryptocurrencies for transactions over the weak fiat currencies the banks transact with. As opposed to commercial banks, cryptocurrency payments offer instant international transactions, easy accessibility, faster processing, and significantly reduced transaction fees. Unlike cryptocurrency, large transactions at the banks often lead to account blockage or the incurrence of high commissions from banks (Jokić et al., 2019, pp. 73-75). The following is an infographic of cross-border transfers within banks and on the blockchain:

[21] Coingecko (2025) https://www.coingecko.com/en/exchanges/decentralized
[22] International Monetary Fund website (2025): https://www.imf.org/external/datamapper/profile/SSA

Figure 3: Ease of Cross-border Transfer: the Blockchain and Nigerian Banks



Source: informed from the Binance website[23] and the author's interview with a UBA staff.

Figure 3 shows the ease of cross-border transfer on the blockchain (Binance) as compared to a Nigerian bank (United Bank for Africa). While there are intermediaries with relatively higher international transfer charges using commercial banks, the blockchain is without an intermediary, except for the DAOP. Following an interview held with a staff of UBA domiciled in Nigeria, a Nigerian wanting to make an international transfer through the bank must have to go to a bank. This is because international transactions cannot be initiated on the bank's mobile application. At the bank, he/she must pick up a foreign currency (FCY) transfer form, fill it up, submit it to a teller officer, and wait for 1 – 2 days for a completed transfer. The transfer charge for an international transaction is a $50 flat rate plus 0.05% of the amount transferred, and there is an additional 0.075% value-added tax charge. Also noted from the interview is that the receiver will also bear the brunt of the transfer charges called "offshore charges". Contrarily, according to the Binance crypto transfer web page, the cost of transfer on the blockchain is within minutes and with as little as $0.50 and a minimum $0.10 - $2 conversion, depending on the cryptocurrency or network used. This is besides the ease of transacting anywhere and anytime with the use of the Binance mobile application on one's phone.

As earlier established in the introduction, "Perceived ease of use" (PEOU) signifies the extent to which users of technological products can use the technology with minimal or no guidance (Ogunode et al. 2023, p. 16). The unlimited access via a mobile device, higher transfer speed, lower cost of transfers, enhanced security of financial transactions, and absence of too much documentation contribute to making the blockchain a resort for international transfer. These perceived advantages remain an enabler for illicit financial flows, as criminal entities not only have a seamless and unregulated channel to exploit, but one that may also give them value in return, particularly in cases where the market volatility of transacted cryptocurrency is favourable (Chen et al., 2020, p. 8). This is what Davis (1989, p. 320) highlights as "ease," meaning "freedom from difficulty or significant effort", which is a finite resource allocated by individuals to their responsibilities. Therefore, it is argued that an application perceived as easier to use than another is more likely to be embraced for use, whether used ethically or not.

[23]Binance (2024) https://www.binance.com/en/fee/cryptoFee

6. Legal framework for the use of cryptocurrency in Nigeria

Transacting in cryptocurrencies indeed represents one of the least regulated markets globally. Research indicates that the surge in unregulated capital flow contributes to heightened financial and overall economic volatility. However, other studies propose that, with appropriate policy frameworks, it's feasible to allow cryptocurrency usage and adoption without undue negative impacts on the economies of the countries permitting them. In some instances, digital token transactions have evolved into substantial capital market hubs, reinforcing the notion that judiciously managed cryptocurrency usage can coexist positively within economies (Ogunode et al., 2022, p. 12).

In contrast to other jurisdictions where digital token transactions have evolved into significant capital market hubs, the Central Bank of Nigeria (CBN) has adopted a stringent stance against cryptocurrencies. In January 2017, the CBN issued a circular prohibiting financial institutions from engaging in any form of transactions involving virtual currencies. Thereafter, on 5th February 2021, the Central Bank of Nigeria, through banks and other financial institutions, declared that dealing in cryptocurrencies and facilitating cryptocurrency exchange were prohibited (Oni and Oyedokun 2025, p. 83). The CBN's rationale centered on the anonymity and lack of Know Your Customer (KYC) protocols, which render cryptocurrencies susceptible to illegal use and in contradiction to existing laws, hence not recognized as legal tender. The CBN emphasized the need to shield Nigerians from fraud, investment risks, money laundering, terrorism financing, illicit funds, and criminal activities associated with unregulated and unlicensed entities (Oladipupo and Amodu, 2022, p. 114).

Following the implicit ban on cryptocurrency by the Central Bank of Nigeria, this apex bank of Nigeria introduced its digital currency, the e-Naira, on October 25, 2021. This marks the first CBDC in Africa and the second globally. The e-Naira is a digital currency sanctioned by Nigerian law, intended for use as a digital version of the naira. Essentially, it serves as an electronic equivalent of the physical naira issued by the Central Bank of Nigeria, designed to offer a secure and efficient alternative method of payment. It is not meant to replace cash but to complement it, functioning as a government-issued digital currency with the same value as physical naira notes, and which is obtainable through financial institutions and transferred into users' e-wallets (Ree 2023, pp. 4-10). Apparently, according to Oladipupo and Amodu (2022, p. 113), although the ban on cryptocurrency played a significant role in introducing e-Naira, there is still no increase in the purchase and usage of e-Naira. This is because the ban generated a lot of controversies and anger among Nigerians, who see cryptocurrencies as a haven in a battered economy. And the e-Naira, unlike other cryptocurrencies like stablecoins, does not protect the users against the very high value loss of the Naira due to inflation.

In 2023, following a new political regime, the Central Bank of Nigeria reversed its position on crypto assets within the country and instructed banks to disregard its previous ban on crypto transactions. This directive was outlined in a circular dated December 22, 2023, bearing reference number FPR/DIR/PUB/CIR/002/003 and signed by the Director of the apex bank's Financial Policy and Regulation Department, Haruna Mustafa. Titled "Circular to all Banks and other Financial Institutions Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)". The circular highlighted the necessity for crypto regulation in response to global trends. The Central Bank emphasized that the need to regulate VASPs, including cryptocurrencies and crypto assets, has become apparent globally (CBN, 2023, pp. 0-5).

This shift in policy slightly aligns with international standards, such as the Financial Action Task Force's (FATF) 2019 update of Recommendation 15, requiring the regulation of VASPs to prevent misuse of virtual assets for money laundering, terrorism financing, and proliferation financing (GIABA, 2020, p. 1). Additionally, the Securities and Exchange Commission issued rules in May 2022 to provide a regulatory framework for the operations of VASPs in Nigeria (SEC Rules, 2022, p. 1). The new guideline supersedes previous directives from 2017 and 2021 while reiterating that banks and financial institutions are still prohibited from holding, trading, and/or transacting in virtual currencies on their account. The circular emphasized that immediate compliance with the new guideline is required (CBN, 2023, p. i). From the following, it is apparent that the regulatory policies of cryptocurrency in Nigeria have not been consistent and comprehensive, thus allowing for the noncompliance of crypto exchanges and users in Nigeria with the ethical use of the digital currency. This regulatory gap elucidates why Zaccheus Adedeji, Chairman of the Federal Inland Revenue Service (FIRS), asserted in a 2024 interview regarding a new executive bill on taxation sent to the parliament: "As we stand today, there is no law anywhere to actually regulate or monitor cryptocurrency."

7. Mitigating on-chain illicit financial flow and eradicating poverty

As previously highlighted, illicit financial flows (IFFs) using cryptocurrency contribute significantly to tax evasion and capital flight, both of which are major contributing factors to underdevelopment, stunted economic growth and poverty in Nigeria. The China-Nigeria case involving a Nigerian who laundered money from suspicious companies through cryptocurrency (Table 2, Case 5) buttresses this point. Also, worth mentioning is the ongoing lawsuit between the Federal Government of Nigeria (FGN) and Binance, where the FGN, through the FIRS, is suing the crypto giant for 81.5 billion in economic losses, back taxes, and complicity in helping customers to evade taxes through its platform[24]. While one can argue that on-chain IFFs may be generating wealth inflows into Nigeria through fraud-targeted foreign victims, it should be noted that such gains are economically unsustainable, distort formal markets, and ultimately damage Nigeria's financial reputation, as a result, outweighing any short-term benefits.

Addressing the challenge of illicit financial flows involving cryptocurrency in Nigeria requires a multi-faceted approach, combining legal frameworks, technological advancements, international and local collaboration, upholding AML/CFT regulatory laws, and public awareness.

7.1 Cooperation with fintech companies and leveraging technological solutions

Most transactions involving illicit funds go through fintech accounts rather than commercial banks, especially as the former possess an online advantage and less scrutiny. Collaboration and not just regulation between fintech companies like Flutterwave, Kuda, Opay, etc. and the Economic and Financial Crimes Commission (EFCC), could enhance regulatory oversight and enforcement of a clampdown regarding unregulated cryptocurrency transactions and fiat currency conversions. Such partnerships may facilitate more effective monitoring and intervention in illicit financial flows within the cryptocurrency ecosystem, thus, mitigating risks associated with the informal conversion of digital assets to the Nigerian naira. This cooperative approach could leverage the technological innovations of the fintech companies and the expertise of regulatory bodies to strengthen the implementation of anti-money laundering frameworks in the rapidly evolving landscape of digital finance.

7.2 Tackling the menace of corruption

Corruption undoubtedly serves as a primary catalyst for illicit financial flows (IFFs) in Nigeria. IFFs originate first from the ability to acquire wealth through illicit means, rather than merely facilitating the transfer of illicit funds. Therefore, addressing the root cause of IFFs- corruption is essential to reducing the prevalence of illicit financial flows, whether it be through cryptocurrency or other mediums. Addressing corruption in Nigeria would seem like a lifelong journey, it will involve, inter alia, the guarantee of the independence of the judiciary and enforcement agencies, the establishment of transparency and accountability within government institutions and the meting out of severe and unbiased penalties to offenders to deter others.

[24] The Guardian (2025) https://www.theguardian.com/technology/2025/feb/19/nigeria-binance-crypto-lawsuit

Additionally, promoting a culture of integrity and ethical behaviour devoid of self-interestedness is also essential. This can be achieved through formal and informal re-education, awareness campaigns, and the fostering of a strong civil society that monitors and exposes corruption

7.3 Poverty and unemployment

Poverty and unemployment continue to be significant drivers of crime, inclusive of cybercrime involving cryptocurrencies in Nigeria. As the biblical verse of Proverbs 16:17a[25] suggests, "Idle hands are the devil's workshop", individuals facing economic hardship with no meaningful economic engagements may resort to desperate measures to survive. This accounts for why a large percentage of Nigerian youths resort to cybercrimes like "yahoo-yahoo" to make ends meet. Poverty alleviation should be prioritized in the battle against cyber fraud in Nigeria. The governments of Nigeria should facilitate the provision of institutional and infrastructural development, such as a reliable power supply, adequate road networks, and a business-friendly regulatory environment such as access to bank accounts, soft loans, grants and skill acquisition, workshops to encourage SMEs, as it is impossible to adequately provide jobs for the ever teeming youthful population of the largest black nation on earth. The citizens can use the benefits of these provisions to generate income. This would, by extension, help to eliminate poverty, which is one of the primary reasons for crime involving blockchain technology.

7.4 Revisiting and implementing a comprehensive legal and monitoring framework

To ensure regulatory continuity and mitigate the challenges posed by IFFs through cryptocurrency, a comprehensive and detailed legal and monitoring framework is indispensable. The implicit ban on cryptocurrency and exchanges like Binance is not a viable solution. Instead, a licensing and regulatory approach similar to that applied to commercial banks should be adopted for exchanges. This would involve mandatory registration and verification with the Central Bank of Nigeria (CBN), implementation of know-your-customer (KYC) and anti-money laundering (AML) controls, and regular reviews and audits of on-chain transactions. By establishing such a framework and deploying a robust monitoring and enforcement team, the $26 billion transacted without tax through Binance could have been prevented.

Effective regulation necessitates a strong emphasis on monitoring, supervision, and enforcement. While many jurisdictions have begun to introduce regulatory frameworks, the implementation and enforcement of these frameworks through examinations and active supervision are still in their early stages. Strict monitoring of compliance with enacted cryptocurrency regulations by exchanges is crucial. Authorities should require crypto-asset issuers and service providers to establish frameworks for collecting, storing, safeguarding, and accurately reporting detected illicit transactions. This can be achieved through working with on-chain experts (See Table 4) and employing technological solutions, especially as funds of illegal origin are usually transacted using privacy coins and on-chain masking services. Ensuring that users also declare their source(s) of income upon registering for an account will help detect when the amounts received or sent do not match the stated source(s). Furthermore, authorities should have the legal authority to access necessary data during investigations, like full KYC documentation, account activity logs, and P2P chat records.

[25] Bible Gateway https://www.biblegateway.com/passage/?search=Proverbs%2016%3A27-29&version=TLB

Table 4: Leading Blockchain security and analytical firms
Source: Monovm (2025)[27]

Firms	Strengths	Methodologies
Chainalysis	- Largest coverage - Strong government contracts (FBI, IRS) - Reactor tool for deep tracing - Direct integration with agencies	- Address clustering - Heuristic tagging (darknet, scams) - Flow analysis
Elliptic	- Focus on compliance (banks, exchanges) - Strong FATF Travel Rule solutions - Works with regulators and the private sector	- Behavioural activities - Risk scoring (0 -100) - Entity mapping
BitRank	- Real-time risk scoring - Affordable for SMEs - Covers 200+ coins - Used by crypto businesses	- Machine learning models - Address reputation scoring - Taint analysis
CipherTrace (Mastercard)	- Strong FATF Travel Rule compliance - Used by traditional financial institutions - Monero tracing: Limited but pioneering - 100+ supported chains	- Attribution database - VASP discovery - Proprietary Monero tracking
Fireblocks	- Real-time alerts for hacks/exploits - Multi-party computation - 1,500 tokens and 45+ blockchains supported	- Transaction policy engine - API[26] based threat detection - Anomaly monitoring (sudden large withdrawals)

7.5 International cooperation, information sharing, and regulatory framework

Effective collaboration among the Central Bank of Nigeria (CBN), the Economic and Financial Crimes Commission (EFCC), anti-money laundering agencies within Nigeria, and international anti-money laundering organizations like the Financial Action Task Force (FATF) is essential for combating illicit financial flows (IFFs) facilitated by cryptocurrency. Sharing information and intelligence about suspicious on-chain transactions (usually exceeding daily limits, and transacted using privacy coins and covert services), money laundering techniques, and emerging threats can significantly contribute to addressing the challenges posed by the anonymity and decentralization of blockchain technology.

Furthermore, given the elusive nature of cryptocurrencies, actors may exploit regulatory arbitrage opportunities presented by Nigeria's inconsistent cryptocurrency laws. Therefore, it is essential to ensure adherence to established international standards, particularly those promulgated by the Financial Action Task Force (FATF) on AML/Counter-Terrorist Financing (CTF) and the Financial Stability Board (FSB). Compliances like mandatory VASPs registration, identifying users' accounts with transactions above daily limits (Travel Rule) are crucial for mitigating illicit financial flows facilitated through the blockchain to maintain economic stability. The implementation of robust regulatory measures aligned with global best practices is essential to address the unique challenges posed by cryptocurrency transactions in the context of Nigeria's financial ecosystem.

7.6 Strong political will

Everything thrives or fails on leadership. Political will remains the underlying factor to every other recommendation. The political leaders, ranging from the presidency and members of the

[26] Application Programming Interface (API) is a set of rules and protocols that allow different software applications to communicate with each other
[27] Monovm (2025) https://monovm.com/blog/blockchain-security-tools/

parliament, both at the state and federal levels in Nigeria, should be ingenious and pragmatic in their approaches to regulating cryptocurrency and ensuring factors (like the recommendations here) that make for a good virtual financial ecosystem. This will not only reduce crime such as tax evasion, trade mispricing, terrorism financing and money laundering associated with cryptocurrency, but will also allow for a full realization of the benefits of the ecosystem in the nation.

8. Conclusion

This study aimed to identify the factors driving the use of cryptocurrency for illicit financial flows, its impact and workable solutions in Nigeria. By employing several extant literature, reports and Davis' Technology Acceptance Model (TAM) for empirical analysis, it revealed the inherent factors facilitating the use of cryptocurrency for illicit financial flows in Nigeria. The decentralized nature of blockchain and the anonymity orchestrated by mixers, tumblers, and private cryptocurrencies (privacy coins) are identified as primary enabling factors. These intricate aspects of the blockchain provide individuals and networks engaged in illicit activities such as tax evasion, trade mispricing and invoicing, cyber fraud, and terrorism financing with covert advantages for their illegal transactions. The recent trends of on-chain IFFs (Table 2) substantiate cryptocurrency's opportunity for such activities. While there are no concrete details on the sources of the illicit funds being linked to terrorism financing, trade mispricing and misinvoicing, the submission here is that illegal funds for/from such activities can be transacted through the blockchain, given the established possibility. These advantages, looking through the prism of the Technological Acceptance Model of this research, are categorized as "perceived usefulness"—connoting the technological benefits of cryptocurrencies—that drive its adoption and use for Illicit financial flow in Nigeria.

Furthermore, this study analyses the ease of cross-border transactions between the blockchain and commercial banks in Nigeria, postulating a costless, swifter, and more reliable channel for cross-border transactions using the blockchain as opposed to banks in Nigeria. A key informant interview with a staff member of an indigenous bank in Nigeria empirically demonstrates the comparatively higher costs and delays associated with initiating international transactions using Nigerian banks. The research findings highlight the limitations within commercial banks in Nigeria, where access to customer funds and the initiation of international transfers are constrained. Customers are unable to initiate foreign transfers even while using the mobile applications of these banks, especially as the Foreign Currency (FCY) form Q or A at the bank remains the sole viable means for international transfers. While these challenges align with the profit motives and regulatory compliance measures of commercial banks, the study shows they inadvertently lead criminal entities to seek alternative channels with greater ‘‘ease of use’’ such as the blockchain and its concomitant cryptocurrencies like Bitcoin (BTC), Ethereum (ETH), and Tether (USDT).

Additionally, based on the assembled academic literature, it is a given in this research that the legal framework regulating the use of cryptocurrency in Nigeria is ill-conceived thus, demonstrating a lack of comprehensiveness on cryptocurrency and the blockchain. In an attempt to address the challenges of decentralization and anonymity posed by cryptocurrency, the implicit ban on cryptocurrency in 2021 led to the launch of the Central Bank Digital Currency (CBDC). However, the first African CBDC, e-Naira, fell short of achieving this objective, as many Nigerians, particularly the youth, continue to rely on cryptocurrency for their covert and overt transactions (Oladipupo and Amodu, 2022, p. 113). More tenuous is that a reversal of the policy surrounding the ban on cryptocurrency was enacted in December 2023 following the emergence of a new political administration. Which was a showcase of the ill-conceived policy. The empirical deduction here remains steadfast: the fragile regulatory framework continues to pave the way for the ongoing illicit financial flows involving cryptocurrency in Nigeria. While the study highlights the correlation between on-chain illicit financial flows and their detrimental impact on development and poverty eradication in Nigeria, it is important to acknowledge that cryptocurrencies and the blockchain are deemed amoral—capable of being used for positive or negative purposes—as highlighted in this study (reviewed literature) by Schär (2021, p. 153-134). Despite challenges such as money laundering and investment scams leading to substantial revenue losses or IFF in Nigeria, cryptocurrency and its morphing ecosystem can pave the way for financial inclusivity and prosperity in the country. According to this, it behooves the leadership of Nigeria to recognize this potential and not discard the benefits because of its drawbacks (decentralization and anonymity).

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Appendix

Appendix 1: **INTERVIEW QUESTIONS AND ANSWERS**

1. What is your name?
   Eze Obiajulu Collins
2. Where do you work and what is your job position?
   United Bank for Africa, Relationship Officer.
3. How can one make an international transfer at UBA?
   It can be done through FCY, i.e the customer is sourcing for their dollars, or through Government Provision of the FCY i.e Form Q or Form A.
4. How many days does an international transfer take to reach the receiver?
   Within 24 to 48 hrs.
5. How much is an international transfer charge and at what percentage?
   There is a $50 flat charge. Plus 0.05% of the amount plus 0.075% VAT charges.
6. What is the highest international transferable amount in a day or month at the UBA?
   $10,000.00
7. Can one initiate an international transfer from the UBA mobile application?
   No, you would have to come over to the bank to initiate an international transfer.
8. How much is the transfer charge for a $10,000 foreign transfer at the UBA?
   $103.75
9. Where can I get the breakdown of these charges?
   It is system-generated.
10. Okay, can I get a copy of this?
    No
11. What amount of international transfer flags one up for money laundering? $10,000.00
12. Is there a charge at the receiver's foreign bank after a successful transfer?
    Yes, it is called offshore charges.
13. Do you know about the blockchain and its international transfers?
    No, I don't.
14. If yes, do you think international transfers on the blockchain are cheaper than those of the UBA? I have no idea.

Okay, thank you.

______________10/08/2024
Signature and date
Eze Obiajulu Collins

______________10/08/2024
Signature and date
Author