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Trade-Based Money Laundering and Terrorist Financing

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Abstract

Money laundering can be defined, generally, as the process of concealing the existence, illegal source, or application of income derived from a criminal activity, and the subsequent disguising of the source of that income to make it appear legitimate. Deception is the heart of money laundering. The use of international trade to move money, undetected, from one country to another is one of the oldest techniques used to circumvent government scrutiny. International trade as a means of laundering money is also a technique generally ignored by most government law enforcement agencies. This article details how false international trade invoicing is used to move money across borders, undetected. This research details how the statistical analysis of the U.S. trade database can assist in measuring illegal money flows. It also details some statistical techniques that may be used to detect and monitor these abnormal transactions.

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Articles in the same Issue

- 1 Money Laundering - A Newly Emerging Topic on the International Agenda
- 2 Measuring Global Money Laundering: "The Walker Gravity Model"
- 3 Trade-Based Money Laundering and Terrorist Financing
- 4 Money Laundering in a Microfounded Dynamic Model: Simulations for the U.S. and the EU-15 Economies
- 5 The Economics of Crime and Money Laundering: Does Anti-Money Laundering Policy Reduce Crime?
- 6 The Risk-Based Approach in the New European Anti-Money Laundering Legislation: A Law and Economics View
- 7 How to Dodge Drowning in Data? Rule- and Risk-Based Anti Money Laundering Policies Compared