Flying Money: How Shadow Banking Moves Dirty Money Worldwide

Izvor: https://minbarlive.com/videos/flying-money-how-shadow-banking-moves-dirty-money-worldwide

> An explainer on how 'flying money' — a value-transfer system dating to China's Tang Dynasty — evolved into a global shadow banking network used by cartels and traffickers. The video walks through how brokers in China, the US and Mexico swap debts and settle accounts through doctored trade invoices, leaving almost no paper trail, and why human intelligence is the only real way to infiltrate it.

SAŽETAK

The video opens with a hypothetical: $100,000 in drug cash that cannot be deposited, shipped or carried abroad without drawing attention, setting up the problem of laundering. It states that roughly 3 to 5% of world GDP — about $4 trillion — is proceeds of crime, spanning drugs, human trafficking, weapons and illegal wildlife parts. The narrator traces the origin of 'flying money' to the Tang Dynasty, where tea merchants who were paid in heavy copper coins deposited them with a merchant in the capital and collected the equivalent from his trusted partner back home using a slip of paper — described as the first form of paper money, built entirely on trust between partners. As tens of millions of Chinese immigrants spread worldwide and formed tight-knit Chinatowns anchored by clan and family associations, criminals co-opted that trust network into a shadow banking system outsiders cannot easily understand or infiltrate. The video then walks through a worked example: Mr. Chen in China wants to buy a $2 million Miami apartment despite China's 2017 $50,000 limit on moving money abroad, while a Mexican cartel dealer in Chicago needs to clean $2 million in drug cash — a Chinese broker in each country exchanges the two sums locally so no money crosses a border. Because accounts remain unbalanced, the brokers settle up through trade: the Chinese broker's kitchen appliance company sells $10 million of refrigerators to the cartel's front retail store but invoices only $8 million, secretly transferring $2 million inside a legal-looking transaction. The video then examines a parallel scheme around illegal seafood — notably the totoaba swim bladder, called 'the cocaine of the sea' and selling for tens of thousands of dollars per kilogram — involving smuggling, a corrupt Mexico City customs officer, and a fentanyl precursor chemical, phenethyl bromide, used as a balancing payment. It concludes

that the system is deliberately low-tech, relies on encrypted apps like WeChat, and is nearly unbreakable when combined with crypto; investigators say human source information makes the best cases, and that enforcement needs funding, patience and changed incentives rather than quick border statistics.

KLJUČNE PORUKE

- Roughly 3 to 5% of world GDP — about $4 trillion a year — is estimated to be proceeds of crime, spanning drugs, human trafficking, weapons and illegal wildlife parts.
- Flying money originated in China's Tang Dynasty, where tea merchants avoided carrying heavy copper coins by depositing them with one merchant and collecting the equivalent from a trusted partner in their home region using a paper slip — considered the first form of paper money.
- The system runs on trust between brokers who are often members of the same extended family or clan and communicate over encrypted apps like WeChat; money does not move across borders, only value does.
- 'Following the money' is less useful than 'following the value': accounts are settled through trade-based transactions, such as a Chinese broker invoicing a cartel front company $8 million for $10 million of refrigerators, secretly moving $2 million.
- Because each side of a deal is paid locally, brokers in different countries end up owing each other, and those imbalances are eventually cleared through trade, front companies, or further smuggling arrangements.
- Chinese diaspora networks built on trust, reciprocity and family ties — originally a cultural and commercial refuge — became the infrastructure a shadow banking system could be built on.
- The totoaba swim bladder, called 'the cocaine of the sea' and selling for tens of thousands of dollars per kilogram, is trafficked by the Sinaloa cartel and paid for in part with phenethyl bromide, a legitimate farming chemical that is also a key fentanyl ingredient.
- Investigators stress that the system is deliberately low-tech and human-driven, so human source information makes the best cases; AI and electronic surveillance alone will not break it.
- Enforcement is hampered by incentives that reward quick border statistics and immigration cases over long-term, complex money laundering investigations that require dedicated people, funding and patience.

ČLANAK

Inside this bag is $100,000. What should I spend it on? I could buy a fancy orange jacket. I could buy a new drone. I could buy really nice antique maps. But actually, I can't spend this money because I have a big problem. This money is dirty. This money is dirty because I got it from selling drugs. And in fact, I can't spend it because I need to get it back to my bosses in another country.

I could take it to a bank and deposit it, but they'll end up asking questions and report it to the government. I could try to ship it, bring it with me on a flight, but that also can get pretty risky. Ultimately, I need to clean this money — to launder it. It's not going to be easy, though.

The Scale of Criminal Money

More than $50 million in drug cash vanishes from US streets without tripping a single bank alarm. And this was just one city. Multiply this around the world and you can see how much money is flowing around. I mean, we're talking trillions and trillions of dollars — roughly 3 to 5% of world GDP is the proceeds of crime. That equates to roughly $4 trillion. Drugs, human trafficking, weapons, illegal wildlife parts — it all needs money to work. Criminals, criminal organizations commit crime. For what? For money. Money.

And if I were in this hypothetical scenario, I actually have another option. An option that will allow me to move my money without any government or law enforcement knowing. It is called **flying money**. It's a mostly invisible system. It secretly connects the whole world of **organized crime** and helps to fund it. The money doesn't move. It flies. Right? It's kind of a ghost, so you can't trace it.

Origins in the Tang Dynasty

It goes back to the Tang Dynasty. This is one of the golden ages of China's history. The capital is huge. It's one of the most populous cities in the world, and it's thriving. People are using money in the form of copper coins.

Let's say I'm a businessman who sells tea. I live up here and I routinely go to the capital to sell my harvest. I sell it off to the nobles and the elites and the tea drinkers of the capital. And I get paid in copper coins. Uh oh — these coins are not light. This is going to be hard to bring all these coins back up to my home region, and I'm going to be vulnerable to robbers as I go along my journey.

So let's do this. I'll take my bag of coins to a merchant, and he'll give me a little piece of paper, and he'll tell me that once I'm back home, I should go see his merchant friend and give him this piece of paper. This light, easy to carry piece of paper. Nice.

Once I'm home, I take that paper to the merchant that the guy from the capital knows. And because these two are trusted partners, the merchant in my hometown honors it

and gives me a bag of copper coins. That's the exact same amount as what I gave his friend back in the capital. The relationship between these two, I don't totally know. They'll settle up later. All I care about is I got paid my copper coins and I didn't have to carry them from the capital. This is magic built on trust. In fact, this was flying money.

Flying money is actually thought to be the first form of paper money. Now, China and the Tang Dynasty were not the only people to come up with this. They were one of the earlier and one of the more widespread. But other cultures settled on these mirror transactions as a way to transfer value without having to carry a bunch of money or gold a long distance. We're talking about the Chinese version here, because this would go on to inform a global network that we see today.

The Chinese Diaspora and Shadow Banking

As tens of millions of Chinese immigrants spread throughout the world, they were often persecuted, segregated, and excluded, and they stayed tight knit. Chinatowns became not only a cultural refuge, but also commercial hubs that were anchored by family association clan networks with strong cultural ties maintained with the homeland — with mainland China. These communities are built off of some strong core values: self-reliance, mutually beneficial relationships that are based on trust, reciprocity, and personal bonds, and often a very strong work ethic and business sense. Making money with often cash-based businesses, sending a lot of that money to family around the world.

But soon, this global diaspora network of trust and connection would be abused by criminals who would use it to wash dirty money, using this to create a shadow banking system that was near impossible for outsiders to understand or infiltrate. So let me show you how this works today. How those same concepts that we saw in the Tang Dynasty play out in a real-world scenario today.

So let's say there's a man in China named Mr. Chen. He's very rich, he's got a lot of extra money, and he wants to invest his money elsewhere. Got $2 million extra dollars that maybe he wants to buy a luxury apartment in Miami with. He has a cousin in the US who could help him, but he's got a problem. In 2017, the Chinese government implemented a $50,000 USD limit on the amount of money you could get out of China. This is a way for the Chinese government to stop tons of money from flowing out of the country.

Now that's not going to stop anyone. So they turn to the underground banks. So Mr. Chen goes to a broker in China, and he pays him the $2 million. He does this from one Chinese bank account to another, maybe in a series of small transactions, so he doesn't draw too much attention. And reminder — this is dirty money. Mr. Chen just makes a lot of money in his job and wants to invest it elsewhere. He didn't get it from like, drugs or anything. Okay. So anyway, the broker tells Mr. Chen to tell his cousin in

the US to go to a shop in Chicago and ask for the broker's trusted contact, who's another broker in the United States, and to give him a special code.

Meanwhile, here in the United States, there's something else going on. There's a drug dealer from a Mexican drug cartel. He has his own financial puzzle to solve, and it has nothing to do with Mr. Chen. Yet he's been selling drugs on the street of Chicago, and now he has $2 million in cash. Now, this cash is definitely dirty. It's the definition of dirty. Money has no paper trail from where it came from. It's just a huge amount of cash from drugs. He needs to somehow make this money look legitimate and get it back to his cartel bosses in Mexico. And these days, it's not easy to do that. So he goes to this same Chinese broker in the United States — the same guy that Mr. Chen told his cousin to go to — and he gives him this $2 million, saying, I need this to get to my bosses back in Mexico.

Okay. This is where these two start communicating. These two brokers, they know each other. They're probably a member of the same extended family, clan, tribe. They're not going to take advantage of each other. They're talking over an encrypted communication app, and the broker in China tells the broker in the United States that Mr. Chen — [the transcript ends here]

The Broker and the Cousin

Chen's cousin is coming, and Chen will give him a special code. When he gives him $2 million, the cousin arrives at the broker's shop, gives him the code, and in exchange receives $2 million. That $2 million, in fact, is the money the broker got from the drug dealer. The cousin then deposits it into a variety of family business accounts under a bunch of different names, so he doesn't raise any flags. Eventually, he uses that money to buy a luxury apartment in Miami for his cousin. So look: Mr. Chen now has a $2 million asset, and he didn't have to send any money across any borders or through any financial system. His $2 million stayed in China, and the $2 million used for his apartment stayed in the United States.

Settling Accounts Through Trade

But look, there's still some imbalance here. There are still people who owe each other money. The broker in China still has that $2 million that Mr. Chen gave him, and the cartel in Mexico still needs to get their $2 million of drug money. And this is when they turn to the global economy. When they want to settle up accounts, oftentimes they go back and settle accounts through trade, as they have done traditionally, historically, and culturally. We always talk about following the money. Sometimes it's more important to follow the value.

The Kitchen Appliance Cover

Okay, so it turns out that the broker in China has a company, a legal, legitimate-looking company. He sells kitchen appliances that are made in China. And this is a perfect cover for what he's about to do next, because the cartel in Mexico also has a front company where they sell kitchen appliances in a retail store in Mexico. Okay, now watch this clever move between these two. The cartel purchases $10 million of refrigerators from the Chinese broker's appliance company. But instead of charging $10 million, the broker only charges $8 million. And on the invoices, they just put these are $8 million worth of refrigerators. $2 million is secretly transferred illegally in this legal-looking trade transaction that flows through the global economy. These appliances roll into port. They're transferred to the retail floor. They're sold. And look, everyone in this little transaction is settled. And the authorities have no idea. How could they? Because most of this transaction left no paper trail.

The Role of Human Intelligence

So if this is so hard to track and infiltrate and see, how do we even know any of this? And the answer is the hard work and risk-taking of investigators like the ones we've been talking to. It's very hard to break into for law enforcement. Any financial crimes investigator worth their soul will tell you that it's human source information that makes the best cases. AI by itself is not going to make its case. And even though we live in a world of electronic money and surveillance and AI, the reality is this system is built off of old-school methods. And so the only way to infiltrate it is through human intelligence. You have to physically meet and befriend the very guy who is doing that.

Undercover Footage: The Seafood Trafficker

Andrea gave us some of his undercover footage showing these flying money networks in action. Truly the most important and revealing undercover operation in over ten years of work in the field. This is shot by two of his undercover operators who have spent months getting close to this one guy. He's a trafficker from China. He's living in Mexico, and he's a big player in the illegal seafood trade. And these undercover operators are posing as businessmen interested in putting money into the illegal seafood trade. With time, these undercover operators successfully earn his trust, and he agrees to introduce them to other people in his network. Trusted partners in the trafficking ring.

Meeting the Corrupt Customs Officer

Two days later, the same two undercover operators meet one of these contacts in a Starbucks in Mexico City. This guy's also from China and focuses on trafficking product and money between Mexico and the U.S., but not just for seafood. It's also revealed that he traffics people and uses mirror transactions to clean huge amounts of money

for the cartels in Mexico. The undercover operators are getting deeper and deeper into this ring, and soon they're being offered an introduction to a corrupt customs and immigration officer at the Mexico City airport, someone who helps clear illegal products coming in and out of the country. They go to dinner for this meeting, and the customs officer shows them his badge. During the dinner, the corrupt customs officer leaves the table and they start speaking Chinese. This original trafficker tells the undercover operatives just how valuable this customs contact is. While the customs officer is gone, the undercover operators try to get a glimpse of his notebook. He returns and the conversation turns to cash. What techniques they use to hide huge amounts of cash when it's going in and out of the airport. The special dye makes the cash completely invisible to airport scanning equipment. So you can see how difficult but useful this kind of human intelligence is.

The Cocaine of the Sea

Another example. Let's start here. The Sinaloa cartel is in northern Mexico, and they've gotten into the fishing business, hiring local fishermen to go after valuable products like shark fins, which can sell for up to $630 a piece. Seahorses, which end up in jars like this to make wine. Sea cucumbers. Abalone. But most valuable of all are these. They call this the cocaine of the sea. The swim bladder of a fish called totoaba. Now, this is a highly endangered fish whose bladder, despite having no proven health benefits, is highly valued in traditional Chinese medicine. But more importantly, they are a modern status symbol in China. And the reason this is called the cocaine of the sea is because it sells for tens of thousands of dollars a kilogram.

Smuggling the Catch

So the cartel is going after this stuff, and let's say they harvest $6 million worth of illegal seafood products, including these very expensive fish bladders. This is not dirty cash. It's dirty product, though. And in order to get it across the borders, they go also to a broker, a Chinese broker in Mexico. So they coordinate the smuggling of, let's say, half of this product, $3 million worth, to China. Maybe this would be bribing a shipping company not to inspect the shipment. Or maybe they'll just carry these fish bladders in their luggage on a flight back to China. Maybe they'll hide them in legal products like roof tiles or other fish products. One way or another, they get to China. Once there, the Chinese mafia takes it and sells it in their own market to the rich. They make their money back. Probably they get some profit. But again, for our simple math, let's just keep this at $3 million. They have $3 million extra dollars, but they haven't paid for the product yet. They haven't paid the cartel. To pay the cartel back, they're once again going to turn to the global economy.

The Chemical Swap and the Seafood Shipment

This time they're going to sell a chemical: phenethyl bromide, which is actually a legitimate pharmaceutical for farming chemicals. But it's also a key ingredient to make fentanyl. They'll doctor the invoices once again, and value has been exchanged. And these two are now settled with no money being exchanged for the illegal marine products.

Okay, but remember, there's a second half to this. The other $3 million gets smuggled into the United States, where a Chinese broker receives the products and sells them to rich Chinese consumers there. This U.S. broker in the United States is now in possession of $3 million of dirty money. And the only thing that has crossed any borders into the United States are these illegal seafood products.

At the same time, let's say that the cartel in the United States has also amassed another $10 million in drug money, drug sales. And they need to clean that money and get it back to Mexico. So they bring that cash to the same Chinese broker who now has $13 million of dirty money. Three from the sea products, ten from the drug cash. And all of that is owed to the cartel in Mexico.

The Trust That Makes Flying Money Work

And here comes the trust that makes flying money work. These two Chinese brokers know each other. They do business together. They're constantly in communication on an encrypted platform like WeChat, and they want to keep the cartel happy. So the Chinese broker in the US asks the Chinese broker in Mexico to just quickly pay $13 million of their own to the cartel in pesos. The cartel is now made whole for all of the fish bladder and the $10 million of dirty cash.

And yet, the Chinese broker up in the United States is still sitting on $13 million of dirty money that they need to clean. They also need to somehow repay their trusted broker in Mexico. So how will they do this? Well, as we're seeing, they've got a couple options here, but one that is becoming more and more common is to just cheat the global economy.

The Electronics Store Front and Trade-Based Laundering

This broker in the US runs an electronics store. This is their front for their real business. And to make this all work, this broker puts in an order for $14 million worth of electronics from a company in China that, you guessed it, is actually a front for the Chinese mafia. The mafia sources and ships off these electronics to the US in an official legal-looking $14 million transaction for electronics. It's on its way to the United States.

But actually, if anyone were to look and evaluate what is inside of these shipping containers, they would see a bunch of cheap electronics worth probably only $1

million, a bunch of knockoff watches and cameras and tablets. The broker receives those electronics and puts them for sale in their store. You've maybe been into a store where stuff like this is being sold. All of this helps drive the perception that this is a legitimate business.

But really, this whole transaction was purely meant to transfer $13 million to the Chinese mafia in this complex deal involving marine wildlife, drugs, and a bunch of money that is now cleaned because it flowed through a legitimate-looking transaction. And there are so many more forms that this can take value transfer. Maybe the mafia in China will hire the cartel to smuggle Chinese immigrants into Mexico and then across the border into the United States. That's a lucrative human trafficking effort that both groups make a lot of money off of. The cartel could extract even more value from the transaction by enlisting these migrants to carry drugs for them into the United States.

Complexity, Commissions, and Bribes

Within these transactions, there's a lot more nuance. All the brokers are taking commission. There are bribes, usually for officials to look the other way. The complexity of the ledgers is much more than what we've laid out here. And when you start to go into these investigations, you see the attempt of the investigators to piece together some of these networks, all the different nodes in just one country or one community, and they very quickly become too complex to follow. They get dizzying really fast.

And by the way, we've been focusing on this triangle: China, United States, Mexico. It's a very common one here. But this system is global. Fighting this is hard, and in part because of how low tech it is. Back in the day, it was much easier for law enforcement to tap into people and listen to people. They know that the more they stay away from anything digital or computer related, the better it is and the safer it is. And yet we're entering an era of encryption and decentralized currency, which are two very powerful technologies to enable and improve a system like this. You have flying money paired with crypto paired with encrypted communication. The system is almost unbreakable from the outside.

Enforcement Challenges and the Need for Resources

If there's one thing I feel in looking at this, it's that there are people who are taking this seriously, working on this, trying to infiltrate these systems. And in fact, governments are getting on board and getting savvy to how serious of an issue this is: $4 trillion of illicit proceeds every year that impacts everybody. Honestly, we have the laws, the rules and regulations we need. Now, what these experts stress is that the real key to enforcement is actually dedicating enough actual humans and funding, most importantly, enough patience to investigate and infiltrate these networks.

If I was a government agency, I would put together a task force and start laundering and moving money around the world with them. That's what I call the last mile, what we as an NGO cannot do. Law enforcement is rated and rewarded because of statistics. But in order to make this work, we have to change the incentives for law enforcement. We have ICE, Immigration and Customs Enforcement. They'll go after the quick border stats. All the resources are going into immigration, instead of going after these long-term, complex, meaningful **money laundering** cases. Criminals are motivated by money, and once they have the money, they have to launder it, whether it be the fentanyl, whether it be human trafficking that occurs in the strip malls across this country, a romance scam, an investment scam, somebody trying to fleece you out of your hard-earned money. That affects everybody.

#money laundering #shadow banking #flying money #trade-based money laundering #organized crime #drug cartels #illegal wildlife trafficking #human intelligence #cryptocurrency and encryption

Generated by MinbarLive — Knowledge Library · https://minbarlive.com/videos/flying-money-how-shadow-banking-moves-dirty-money-worldwide