



# ASK THE TIC

## INTERNATIONAL TRADE SCAMS

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*U.S. companies must be aware of international business scams and illegitimate trade deals. One of the most common scams in international business is based primarily in West Africa in countries such as Nigeria, Ghana, Benin, Togo, the Democratic Republic of the Congo, and Sierra Leone. While there are many legitimate West African companies that do business in the United States and with U.S. exporters, there are also, unfortunately, many organized crime rings as well as renegade individuals that take advantage of unsuspecting people. The following article gives specific information about some of these illegitimate business deals, how to help companies identify if they are the targets of a scam, and where to report possible scams.*

### WHERE DO THESE SCAMS ORIGINATE?

Many of these scams originate in West African countries. While Nigeria has been the primary originating location, scam artists are aware that “Nigeria” has become synonymous with “scam” and have begun to branch out into other countries. There is a spectrum of sophistication in executing and perpetrating these campaigns, which includes organized rings on the one end and unemployed teenagers in cyber cafes on the other end.

### HOW DO THESE SCAMS WORK?

The scam essentially is a confidence scheme with a hook that takes numerous and bogus forms. According to the U.S. Secret Service Financial Crimes Division, “Nigerian nationals, purporting to be officials of their government or banking institutions, will fax, mail, or e-mail letters to individuals and businesses in the United States and other countries. The correspondence will inform the recipient that a reputable foreign company or individual is needed for the deposit of an overpayment on a procurement contract. The letter will claim that the Nigerian government overpaid anywhere from \$10 to \$60 million on these contracts.” Such fraud is called 4-1-9 fraud, after the section of the Nigerian penal code that addresses fraud schemes.

Recently, scams have also taken the form of bogus sales contracts. An African firm or government official requesting a rather large export sale will contact the

targeted individual or company. The sale will often ask for samples (e.g., cellular phones and equipment) to be sent in advance of the sales negotiation.

Other schemes may involve a religious-based contribution, inheritance, an ex-dictator or relative of ex-dictator trying to get money out of the country before going to jail, and people purporting to want to invest in your company. All of these act as bait. The scammers then try to get the victims 100 percent convinced that they will get the payoff. It is at this time that “fees” are demanded.

### HOW DO I KNOW THESE CORRESPONDENCES ARE SCAMS AND NOT LEGITIMATE BUSINESS DEALS?

There is often a perception that no one would enter such an obviously suspicious relationship. However, many victims have been led to believe they can share in such windfall profits. Individuals are asked to provide funds to cover various fees and for personal identifiers such as Social Security numbers, bank account numbers, and related data. The correspondence will usually ask the individual to pay a fee in order to transfer assets from a Nigerian bank account to another account. These scams are called advanced fee fraud, because of the demand for upfront fee payments.

### ARE THERE CERTAIN SPECIFIC DETAILS IN THESE CORRESPONDENCES THAT WOULD HELP ME TO DETERMINE IF THEY ARE SCAMS?

Requests to send money, bank drafts, bank account numbers, or personal information are red flags. Also, the correspondence typically refers to the confidentiality of these deals, urging the addressee not to speak to anyone about the transaction. Some correspondences will be addressed to a “Dear Sir” while others may come addressed to a specific individual. Urgency of response is another typical sign.

If you or your company has never done business in Africa before and/or do not know how the correspondents could have received your personal information, you should be suspicious. Most persons doing business in Africa are familiar with their industry and can trace new professional contacts to a specific source.

### WHAT IS BEING DONE TO STOP THESE SCAMS?

The U.S. Secret Service Financial Crimes Division established Operation 4-1-9 to target Nigerian advanced fee fraud on an international basis. According

to the Financial Crimes Division, “the agents on temporary assignment to the American Embassy in Lagos, Nigeria, in conjunction with the Regional Security Office, supplied information in the form of investigative leads to the Federal Investigation and Intelligence Bureau (FIIB) of the Nigerian National Police. Officials of the FIIB and Secret Service have made a round of arrests in Lagos. Evidence seized included telephones and facsimile machines, government and Central Bank of Nigeria letterhead, international business directories, scam letters, and addressed envelopes, and files containing correspondence from victims throughout the world.”



### WHAT SHOULD I DO IF I RECEIVE A SCAM LETTER?

First, it is important that you do not correspond AT ALL with the persons named in the scam letters. Any contact with the perpetrators puts you at risk of being scammed. Do not reply to their letters, emails, or call them by telephone. If the correspondence is electronic, you can forward the e-mail to the Financial Crimes Division of the U.S. Secret Service at [419.fcd@uss.s.treas.gov](mailto:419.fcd@uss.s.treas.gov) or fax a copy of the letter to (202) 406-5031. If you have been victimized and lost money due to such scams, you should contact your local Secret Service office. Contact information can be found under the U.S. Government section of your local white pages.

#### For further information, please contact:

The Trade Information Center's Africa Team at 1-800-USA-TRAD(E) or [www.export.gov/tic](http://www.export.gov/tic).

The U.S. Secret Service Financial Crimes Division at [www.ustreas.gov/uss.s](http://www.ustreas.gov/uss.s). ■

#### FOR MORE INFORMATION

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. Government's export promotion programs and activities. You, too, can “Ask the TIC” by calling 1-800-USA-TRAD(E) toll free, Monday through Friday, 8:30-5:30 EST. Or visit the TIC's Web site at [www.export.gov/tic](http://www.export.gov/tic).

## CORROSIVE CORRUPTION

### Bribery in Emerging Markets

by William Corley  
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As companies continue to develop globally, corruption is an increasingly hot topic in business and government circles. Generally, governments and multinationals recognize that corruption has very harmful effects on political and economic welfare. Bribery in commercial transactions is the dominant feature of corruption, but corruption ranges from money laundering to improper public procurement.

The World Bank has argued, with ample statistical evidence, that corruption hinders economic development. Indeed, high levels of corruption are strongly linked to lower levels of growth and per capita income. Corruption inflates government spending, lowers domestic investment, and discourages foreign direct investment. It also tends to shift government spending away from education, infrastructure, and health care.

#### BRIBE PAYERS INDEX

Corruption, particularly bribery, is not uncommon in emerging markets. Although domestic companies are more likely to pay bribes in emerging markets than foreign firms, multinationals are far from innocent. Transparency International (TI), a non-governmental organization that combats global corruption, recently compiled its latest Bribe Payers Index (BPI). The BPI ranks countries on a zero-to-10 scale in which high scores indicate a low propensity to pay bribes to public officials overseas. Australia, Sweden, and Switzerland ranked the highest. Japan and the United States ranked 13th among the 21 exporting countries, with 5.3 scores. Companies from Russia, China, Taiwan, and South Korea showed very high levels of bribery in emerging markets. Public works/construction, followed by arms and defense, were the sectors with the highest levels of perceived corruption.

The BPI is based on surveys conducted in 15 emerging markets: Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea, and Thailand. TI carried out 835 interviews with senior executives of domestic and foreign companies, as well as executives at bi-national chambers of commerce, national and foreign commercial banks, chartered accounting firms, and commercial law firms. The surveys centered on perceptions of corruption involving multinational companies from 21 leading exporting countries.

#### FURTHER READING

Bribe Payers Index 2002, Transparency International, May 2002; “The short arm of the law,” *The Economist*, 2 Mar. 2002; No Longer Business as Usual, OECD, Oct. 2000; S.J. Wei, “Corruption in Economic Development,” World Bank Working Paper 2048, Feb. 1999; World Development Report 2002, World Bank, Sept. 2001.

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