

Sector knowledge document

Trade-Based Money Laundering in Plastic Waste

United Kingdom (UK) – Netherlands (NL)

May 2025

J5



JOINT CHIEFS OF GLOBAL
TAX ENFORCEMENT

Introduction

The past year, the Dutch Customs authority, Tax Intelligence Service (FIOD) and His Majesty's Revenue & Customs (HMRC) have jointly collaborated in a project on the international trade in plastic waste between the United Kingdom and The Netherlands. Part of this project is this know-your-sector document that includes state of the art knowledge on trade vulnerabilities in the plastic waste economy. The purpose of this document is to share knowledge acquired with analysts, investigators, supervisors and other interested parties.

The international trade in plastic waste

The international trade in plastic waste is a vibrant and complex market, with processors, intermediaries and governments regularly discussing the applicable laws and regulations.

Various agreements have already been made at a global level regarding the processing of waste. [The Basel Convention \(1989\)](#) is the most relevant treaty. For example, the export of plastic is only permitted if it is provided with specific trade codes. This treaty was recently amended to make the trade in plastic waste more transparent. As a result, permission must have been granted with effect from January 1, 2021. Within the European Union (EU), waste transport must be in accordance with the [Plastic Waste Transport Regulation](#) (1013/2006) (EU, 2006), as well as the [European Waste Shipment Regulation](#) (EWSR). For export to countries outside the EU, 2% of the waste may be contaminated and for export to countries within the EU, 6% may be contaminated. A mandate was also adopted in November 2023 to significantly reduce the amount of plastic packaging within the EU. In addition, it follows from the Green Deal that 55% of plastic packaging waste will be recycled by 2030.

Within the UK, all internationally transported waste must be conducted in accordance with the [Transfrontier Shipment of Waste Regulations](#) (TFS Regs) 2007. Unlike the EU legislation, the TFS regs does not allow an acceptable contamination limit instead using the phrases 'De minimis' or 'almost free from' which is then interpreted by the relevant competent authority.

Western economies are major consumers of plastic. The waste that is not easily recyclable is exported abroad, traditionally to China. The introduction of the Chinese import ban on plastic waste in 2018 has a shift in the export market with countries such as Turkey and Indonesia becoming more prominent destinations. These regimes are open to exploitation after export with plastic waste being detoured for incineration. Governments encourage the (environmentally friendly) processing of plastic waste by providing subsidies. The biggest problem with the export of plastic waste is that plastic, when on paper intended for recycling, still ends up in incinerators via detours, often in developing countries.

The UK is a net exporter of waste, this including plastic scrap. A considerable amount of plastic scrap from the UK is exported to Turkey or to the Netherlands for interim treatment before being blended with other waste from across Europe and being exported further afield. A key driver of waste plastic packaging movement is that of producer responsibility schemes. In the UK the Packaging Recovery Notes (PNR) and the Plastic Export Recovery Notes (PERN) drive a significant portion of the plastic scrap trade, this highly fluctuating market can mean one tonne of plastic scrap can vary in price between £100 - £400.

What makes the sector vulnerable?

- The European Commission estimates that annual revenues from the illegal waste market in the EU range between 4 and 15 billion euros (average 9.5 billion), with the expectation that the illegal waste trade will continue to increase. It is estimated that between 15-30% of all waste shipments could be illegal.
- The legal definition of waste leaves a lot of room for discussion, making relabelling of the product relatively easy.
- The definition of waste that is 'almost free of contamination' is not further elaborated in the Basel Convention, which makes it possible to transport contaminated plastic with 'clean' plastic.
- A major issue within the sector is that of misdescription, usually in the form of declaring waste has met end of waste status. This is used to circumnavigate more stringent controls such as when shipping to Malaysia for example. Furthermore, this tactic is used to avoid inspections by competent authorities in the country of dispatch.
- Exports to countries where there is no or insufficient processing capacity have increased rapidly.
- The chain is not transparent because intermediaries both import and export plastic to the Netherlands.
- Various government services in The Netherlands supervise the different phases of processing, but there is no central coordination point. This, in combination with limited capacity, makes control difficult.

The Netherlands is one of the largest exporters of plastic waste in the world, together with the United States and Japan. Globally, the EU is the largest exporter of plastic waste with the Netherlands acting as a hub from which shipments exit the bloc. These loads must comply with European Waste Shipments Regulation (EWSR EEC Regulation 1013/2006). It is also striking that the Netherlands imports a lot of waste from the UK. On the other hand, there is an outward flow towards the UK. Subsidies there may provide the economic impetus for this activity.

What is Trade Based Money Laundering (TBML)?

TBML is the use or setting up of international trade structures to launder money. This does not concern one-off transactions, but professional money launderers who launder millions through well-organized constructions. According to the Financial Action Task Force (FATF), the following conditions must at least be met when considering TBML:

- There must be criminal profits/value;
- There must be an intention to move this value through products that are traded;
- This move must result in identification. The criminal money must be given an apparently legal 'status'.

Many forms of TBML involve document fraud;

- Over and under invoicing
- Over and under shipping
- Phantom shipping (i.e. not shipping anything but still invoicing)
- Multiple invoicing
- Incorrect description of good/service

What makes the sector resilient?

- The Dutch government has entered into an agreement with a large number of producing companies and major users under which it has been agreed that by 2025 plastic will be usefully reusable where possible, but in any case fully recyclable.
- In 2021, the Basel Convention was amended, which should make international trade in plastic more transparent and controllable.
- EU legislation sets stricter requirements for exporting plastic waste outside the European Union than the Basel Convention, making abuse more difficult.

TBML developments

In recent years, a less complex form of TBML without document fraud has also been observed in the Netherlands, where goods in the right quantity and quality are purchased from criminally earned money at a competitive price. These goods are then exported and sold again.

Reporting unusual transactions in The Netherlands

Producers, importers, exporters and intermediaries of plastic waste fall under the reporting group 'Buyers and sellers of goods'. Buyers and sellers are obliged to report unusual transactions in the event of a cash payment of € 10,000 or more according to the Money Laundering and Terrorist Financing (Prevention) Act (Wwft). These transactions are reported to Financial Intelligence Unit (FIU)-Netherlands. In addition, other obligations may also apply, such as

an anti money laundering (AML)/counter terrorism financing (CTF)-risk analysis, mandatory customer due diligence, PEP check and the obligation to carry out enhanced customer due diligence for transactions with high-risk countries. There are also various obligations in the field of sanctions regulations. After investigation, the FIU can declare a reported unusual transaction suspicious. These suspicious transaction/activity reports (STR/SAR) are further investigated by the Anti Money Laundering Centre (AMLC), among others, in the context of its tasks.

Results STR/SAR Analysis

The AMLC analyzed all suspicious transactions reported over the period 2010-2024. Waste processing does not have its own Standard Business Categories (SBI)-code. To make analysis possible, code 3832 (preparing sorted material for recycling) was examined. The wholesale trade in waste materials (code 4677), on the other hand, does have a subdivision under which plastic waste can be divided (46779). It is also possible that companies that are not registered under the code 3832 and/or 4977 are involved in the processing and/or wholesale of plastic waste. In order to find the SAR/STR's of these companies, the query was expanded with searches based on combinations of specific keywords related to Great-Britain, China, Turkey and/or Indonesia.

In total, approximately 75 SAR/STRs were further investigated, involving a total amount of almost € 145,000,000, with a peak in 2021. In that year, no less than € 89,500,000 was reported by FIU-NL. Also in 2023, €18,000,000 worth of STRs have been reported.

Reasons for financial institutions to report transactions include receiving funds from China, high cash withdrawals, bad press from trading partners and third-party money payments.

HMRC developed novel methodologies to identify relevant suspicious activity reported over a four-year period from 2020-2024, given that there was no single commodity code or entity trade classification to aid the search. Instead, analysts refined over 10,000 hits relating to plastics using sophisticated target word searches (including geographic notations and sector specific terminology). This approach led to identifying a number of cases which have been taken forward for review. Additionally, profiling was undertaken on the exporting and importing population which was further supplemented with suspicious activity reporting. Subsequent stages of refinement narrowed down the population to a smaller number of entities for enhanced review. Finally, analysts undertook additional profiling using over 15 trade classifications, which resulted in further cases of interest.

Example case TBML construction with plastic waste

Company X BV is located in the Netherlands. Its activities consist of mediating and advising waste companies regarding the processing of plastic waste.

From the UK she receives €20,000,000 on paper from Y Ltd. for processing multiple loads of plastic waste. Y Ltd. is owned by a criminal organization and is used to launder criminal proceeds. Instead of processing this itself, X BV forwards these shipments on paper to the UAE. She pays Z Ltd €19,000,000 for this. In practice, empty containers are shipped; so there is phantom shipping. This means that a large part of the proceeds from the UK have been transferred to the UAE via the Netherlands.

Import and export of plastic waste in the Netherlands (HS Code 3915)

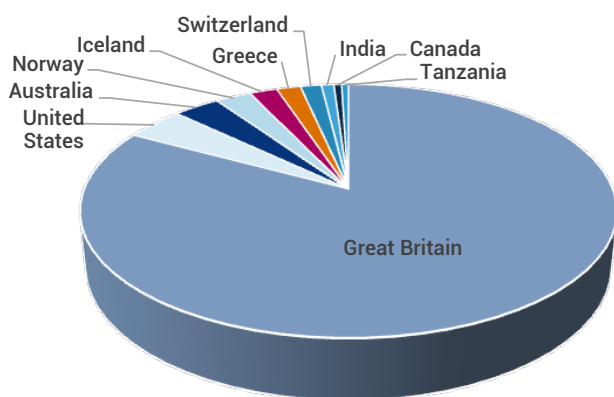
Imports 2021- 2023

- During this period, €176.4 million worth of plastic waste was imported into the Netherlands (€42.5 million:2021, €86.6 million:2022, €47.3 million:2023).
- The average declared value per plastic waste declaration upon import was €6,909.
- A total of 432.1 million kilograms of plastic waste was imported during this period (123.8 million:2021, 159.4 million:2022, 148.9 million:2023).

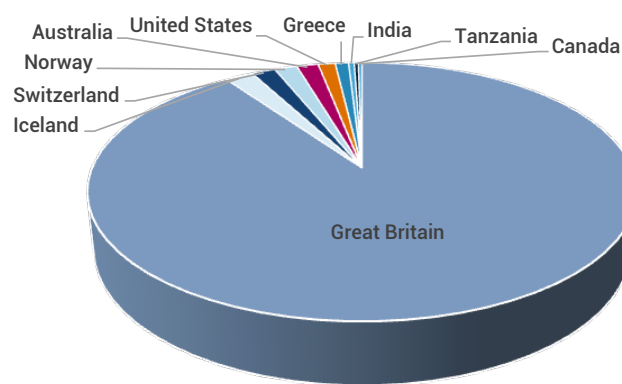
● Great Britain
 ● Iceland
 ● Switzerland
 ● Norway
 ● Australia
 ● United States
 ● Greece
 ● India
 ● Tanzania
 ● Canada



Distribution of imports in value per country 2021-2023



Distribution of imports by weight per country 2021-2023



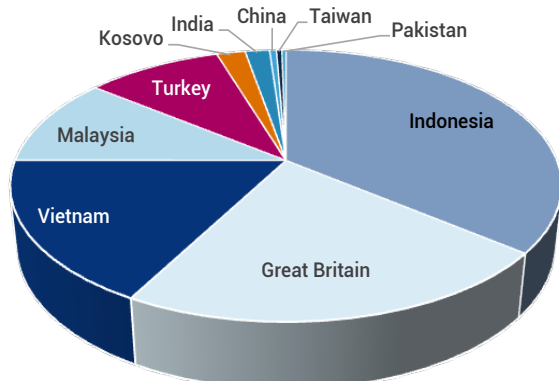
Exports 2021- 2023

- During this period, €327.4 million worth of plastic waste was exported from the Netherlands (€101.2 million:2021, €128.5 million:2022, €97.7 million:2023).
- The average declared value per plastic waste declaration upon export was €22,181.
- A total of 797.8 million kilograms of plastic waste were exported during this period (277.4 million:2021, 234.1 million:2022, 286.3 million:2023).

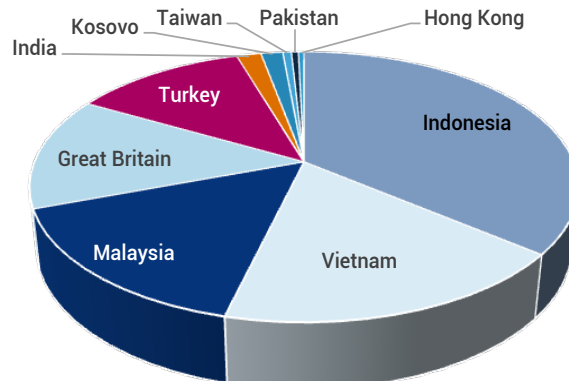
● Indonesia
 ● Vietnam
 ● Malaysia
 ● Great Britain
 ● Turkey
 ● India
 ● Kosovo
 ● Taiwan
 ● Pakistan
 ● Hong Kong



Distribution of exports in value per country 2021-2023



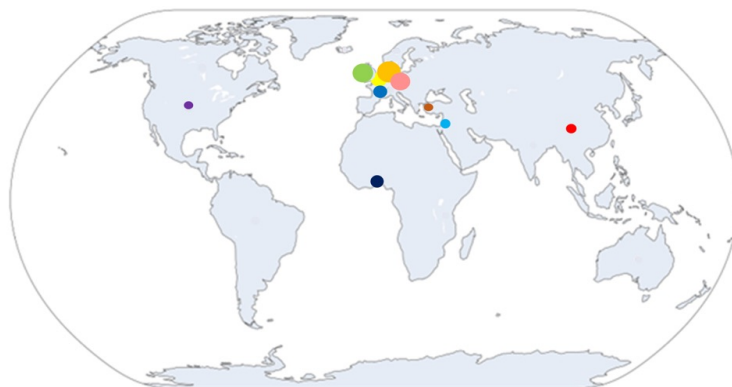
Distribution of exports by weight per country 2021-2023



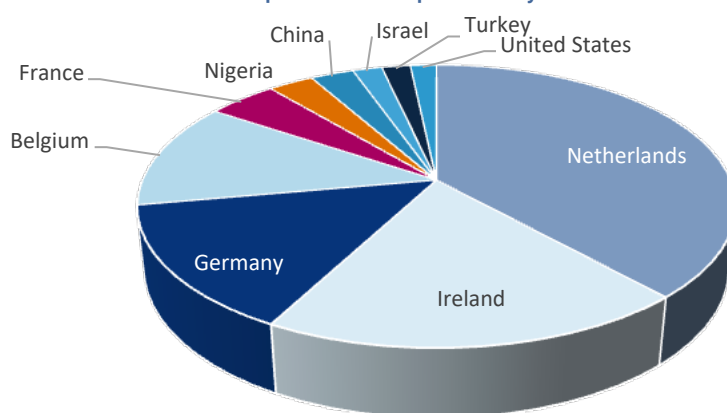
Import and export of plastic waste in the United Kingdom (HS Code 3915)

Imports 2021- 2023

- During this period, £142.3 million worth of plastic waste was imported into the UK (£31.5 million:2021, £61.5 million:2022, £49.4 million:2023).
- The average declared value per plastic waste declaration upon import was £123,105.
- There are no calculations for the import by weight up to this point



Distribution of imports in value per country 2021-2023

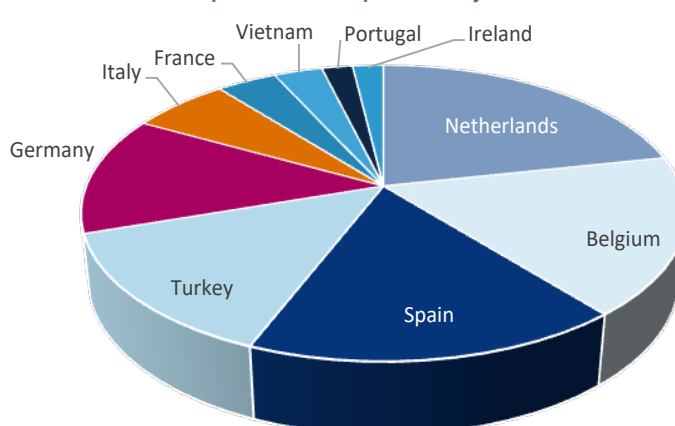


Exports 2021- 2023

- During this period, £613.9 million worth of plastic waste was exported from the UK (£115.6 million:2021, £199.9 million:2022, £298.3 million:2023).
- The average declared value per plastic waste declaration upon export was €258,249.
- There are no calculations for the export by weight up to this point



Distribution of exports in value per country 2021-2023



The economic chain of international trade in plastic waste explained

The international trade in plastic waste is a complex process involving multiple steps and actors. The description below is the likely legal route for trade. Illegal routes include activity such as illegal dumping, and transfer without the valid permits to conduct activity safely to protect the environment/ human health:

1. Collection and Sorting

Collection of plastic waste starts with households, companies, and municipal waste services. The collected waste is then taken to sorting centers where it is separated based on the type of plastic (including PET, HDPE, PVC).

2. Pretreatment: cleaning and size reduction

The plastic waste is cleaned and reduced in size (for example into flakes or pellets) to prepare it for transport and further processing. When processed illegally, this is often not the case, and the only pretreatment which takes place is to bale the plastic scrap before export. Cleaning is an expensive process and, unless producing Plastic Pellet for example, often does not take place.

3. Mediators and Exporters

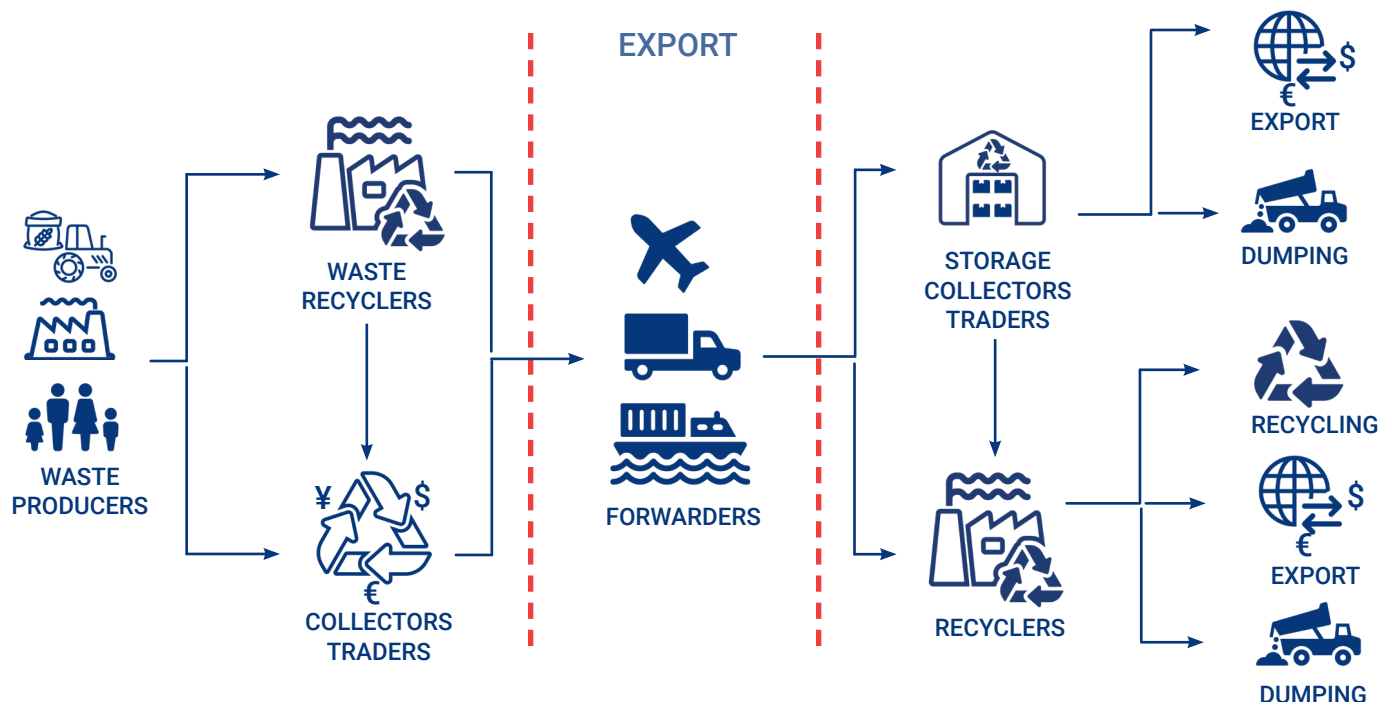
Mediators buy the sorted and pre-treated plastic waste. These traders play a crucial role in the international market by purchasing and reselling large quantities of plastic waste from various sources. Specialized export companies then arrange the export of plastic waste to countries that can process it.

4. Transport and Customs

The plastic waste is often loaded into containers and shipped to importing countries via sea freight. During this process, traders and exporters must comply with various international regulations and customs procedures. In accordance with the Basel Convention, exporters must have extensive documentation, such as certificates of origin, customs declarations, and (in the case of contaminated plastic) permits.

5. Importers and Processors

Companies in the importing countries buy the plastic waste and take it to recycling plants. In these factories, the plastic waste is further processed into raw materials for new products, such as new plastic objects, textile fibers, or other industrial applications. Large quantities of waste are also incinerated in this phase. If waste is recycled, the materials can be sold to manufacturers for the production of new goods.



Colophon

This sector document has been carefully compiled by the HMRC, FIOD and the Dutch Customs authority. If there are any questions and/or comments, please contact us at aml.centre_postbus@belastingdienst.nl