

# CARGO THEFT AND SMUGGLING

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**F**or shipping industry, the Corporate Security Policy refers to a company's procedures and guidelines for maintaining the safety and integrity of its people, assets and customer's cargo, etc. To demonstrate their commitment to supply chain security, most shipping companies have endorsed Corporate Security Policies to guide their staff both ashore and at sea on how different staff levels can contribute to ensure the safety and integrity of the whole shipping logistics network. Shipping companies have also offered their utmost effort and cooperation to the authorities in their fight against any unlawful act on maritime or cargo security. Such acts may include, but not limited to terrorist attack, piracy, cargo pilferage and smuggling.

The Customs-Trade Partnership Against Terrorism (C-TPAT) is a voluntary supply chain security program led by U.S. Customs and Border Protection (CBP) and focuses on improving the security of the private companies' supply chains with respect to terrorism (U.S. CBP Website); Partners in Protection (PIP) is a Canada Border Services Agency (CBSA) voluntary program that enlists the cooperation of private industry to enhance border and trade chain security, combat organized crime and terrorism and help detect and prevent contraband smuggling (CBSA Website); Authorized Economic Operator (AEO) is developed by the European Commission (EC) and can be defined as a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with World Customs Organization (WCO) or equivalent supply chain security standards(European Commission).

To date, C-TPAT (U.S.), PIP (Canada) and AEO (EC) are the main government-business initiatives which aim to promote and strengthen overall supply chain and border security. These programs recognize that the highest level of supply chain security can only be achieved through closer cooperation with the ultimate owners of the supply chain.

Taking the U.S. as an example, CBP's Office of Air and Marine (OAM), a critical component of CBP's layered enforcement strategy for border security, has **made great contributions to US Border Security in the past. As can be seen from the statistics, OAM's achievements during Fiscal Year 2013 included but were not limited to the followings:**

- 1,015,075.89 pounds of marijuana seized with a value of over \$2.6 billion
- 155,120.44 pounds of cocaine seized with a value of over \$11.6 billion
- \$25.3 million in currency seized
- 2,194 weapons seized

From the above figures, we can imagine that smuggling has been and will be one of the most dangerous security issues in the container shipping industry; containers are considered to be integral to an extensive range of smuggling operations. Compared with the annual global throughputs of 420 million containers, only about two percent of targeted shipments are inspected by customs officials.

The revolution of containerization in the international trade has had a positive impact on the decrease of cargo pilferage throughout the global supply chain. Yet, it has likewise become an ideal umbrella to the organized criminal activities, mainly due to the particularity of the cargo journey from the origin to the final destination, such as combined land and ocean transit.

In the following, we present three recent cases encountered by a shipping company. Two of them are about cargo theft while the other one is about cigarettes smuggling.

### ***❖ Case 1: Cargo Pilferage at Port of Le Havre***

An increasing trend has been observed in pilfering incidents at Port of Le Havre in these recent years.

On August 05 2013, a container ship was berthed at Port of Le Havre to load and discharge cargo. Realizing that the Port of Le Havre is a high-risk place of cargo pilferage, the vessel has taken additional preventive measures to maintain high vigilance against any possibility of cargo theft.

At 6am, during a routine security patrol, the duty AB found that the seals of several containers stowed on bay 05 decks were missing, while broken seals were seen

nearby. The duty AB reported his findings to the duty officer promptly, and then the case was brought to Ship Safety Officer (SSO) and the Master's attention.

The SSO and the Master arrived at the scene of the incident a few minutes afterwards, and the Master ordered a thorough investigation in order to determine the radical movement of the broken seals. Later, it was found that a total of five containers have been tampered with, and additionally some empty packing boxes were found scattered beneath containers and on the catwalks nearby. It was suspected that this might be the case of cargo pilferage. In order to find the origin of these empty packages, these five tampered containers were opened by the ship's crew under the supervision of the SSO and the Master, and there was no surprise that one container was found to have some cargo missing with the packing matching exactly with those empty boxes. The cargo was perfume from a renowned brand of France. Apparently, the thieves had stolen the perfumes and left behind the packing boxes. Later on these five containers were resealed using shipboard High Security Seals.

According to cargo operation records, these five broken-seal containers were loaded at a previous port and all seals had been physically checked by the ship's crew after the container was loaded on board. Security patrols were taken out regularly during sea passage from the last port, and there were no abnormal findings. All crew had been interviewed by the SSO and nobody was found to have been involved in this incident.

The terminal manager and local agent were informed about the incident.

There were good reasons to suspect that the incident had happened during cargo operation at Port of Le Havre. The master reported the accident to the ship owner, while at the same time he issued a Statement of Fact and requested terminal to carry out further investigation into this incident.

### **❖ Case 2: Cargo pilferage at Suez Anchorage**

On October 16 2013, a container vessel was anchored in Suez North Anchorage waiting for Canal transit. The ship's crew was alerted about theft activities in this area and preventive actions were brought against any possibility of theft prior to arrival. Regular deck safety/security patrols were arranged and performed at an interval of 30 minutes.

Soon after the vessel had anchored, the duty crew member patrolling deck and

surrounding areas suddenly caught sight of one intruder on the catwalk of forward bays. He then shouted at the intruder and immediately reported the case to the duty officer via VHF radio, who when promptly sounded the general alarm from the bridge. Simultaneously, the duty crew member heard many footsteps retreating hastily to port side of the vessel's forecastle; obviously there was more than one intruder. Thinking about the possible safety threat, the duty crew member did not attempt to pursue the intruders. Soon after he heard some mixed sounds and noticed that the intruders might have leaped into the water and escaped. A few minutes later, when he came to the forecastle together with other crew members, they saw one speed boat at a distance of about 50 meters moving away quickly from the ship's bow.

The ship's crew carried out a thorough inspection and found that a total of 17 container seals were broken or missing while six containers had signs of tampering.

As per incident reporting procedures, the Master reported the incident to the ship owner and local authority (Suez Canal Inspectors). All containers involved in this accident were resealed using High Security Seals as per the owner's instruction.

### ❖ ***Case 3: Cigarettes Smuggling***

On November 25 2013, at one of the Malaysia's Container Terminals, four 40ft reefer containers were detained by local Customs after being discharged from the ship. These reefers were transshipment cargo and their final destination was Pusan, South Korea. The shipments were ordered for further inspection under Customs Act.

The carrier immediately notified the shipper of this incident. In reply, the shipper strongly requested the carrier to challenge the Customs' decision and claimed that the Customs should not open their containers without reasonable cause. The request was totally denied since nobody had the right to go against the Customs Act.

As a follow-up, the shipper anxiously provided excuses and requested the carrier to negotiate with Customs to release the shipments as soon as possible. The shipper claimed in the letter:

- The mentioned reefer containers had been wrongly sent to Port Kelang and they were thought to have been transited at another port;
- These containers were still in trade zone and under transshipment status;

- Consignee at Port Kelang would not accept these wrong shipments;
- The Marine insurance policy contained “original seals” clause;
- Consignee at final destination would not accept cargos if no original seals were applied.

Apparently, some of the above conditions were unreasonable.

There was no doubt that inspections were performed as scheduled by Customs Officers. Finally, three out of those four reefer containers were found to have no problem and were released by Customs to the shipper for re-export to the final destination.



Photography by Fang Zhang, 2012

Only the fourth container was found to have cargo discrepancies against the cargo manifest and cartons of cigarettes were found by Customs Officers. Therefore, this container was detained for further investigation.

Apparently, this was the event of foul declaration and also an attempt of smuggling of cigarettes by the shipper. The carrier immediately took proper preventive actions in order to protect their interests. They also held the shipper fully responsible for their fault and reserved their rights to recoup any costs and penalties from the shipper that might arise from this incident.

## **SUMMARY**

We have learned from above cases that the global cargo theft risk is one of the biggest concerns to supply chain security as the extent of risks vary greatly between different

countries and regions. Shipping companies and port authorities continually face different challenges of supply chain security. As per UK P&I Club, the estimated yearly costs of cargo crime are between US\$30-50 billion globally. The cargo theft threats are typically rooted in social, economic and cultural conditions.

**P**orts, terminals and depots are the most favored locations for this kind of offense, as well as land transport. Ship operators also claim that they are also the focal point of cargo crime, one of the reasons being that the ship is more easily accessed than that of other facilities. Cargo in transit may involve a long journey and various handling procedures in different places, and this may present a risk of undetected cargo pilferage. Often it is extremely difficult to identify where and when an incident has taken place and who did this.

The prevention of cargo theft requires awareness and efforts from different parties within the whole supply chain, such as, shippers, ship operators, terminals, authorities and so on. More and more security measures have been taken in every aspect of the supply chain. For example, a mechanism called the High Security Seal (HSS) is used by industry for securing containers, and the HSS must conform to the ISO 17712:2010 standards (effective from March 1 2012) in order to be accepted by customs internationally. The HSS is so designed and manufactured to provide tamper evidence and some degree of security. The integrity of container seals provides evidence that the cargo has remained secure throughout its journey. But the HSS is not an anti-theft device, and it can be easily tampered during a criminal act.

Nowadays information technology is playing a more important role in the integration of security practices with efficient operation and information flows. Its power to track cargo through the supply chain has brought great benefits to supply chain security. An electronic submission of key data (EDI) is essential in container targeting for inspections and terminal operations planning.

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