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# WCO news

## Illicit trade



World Customs Organization







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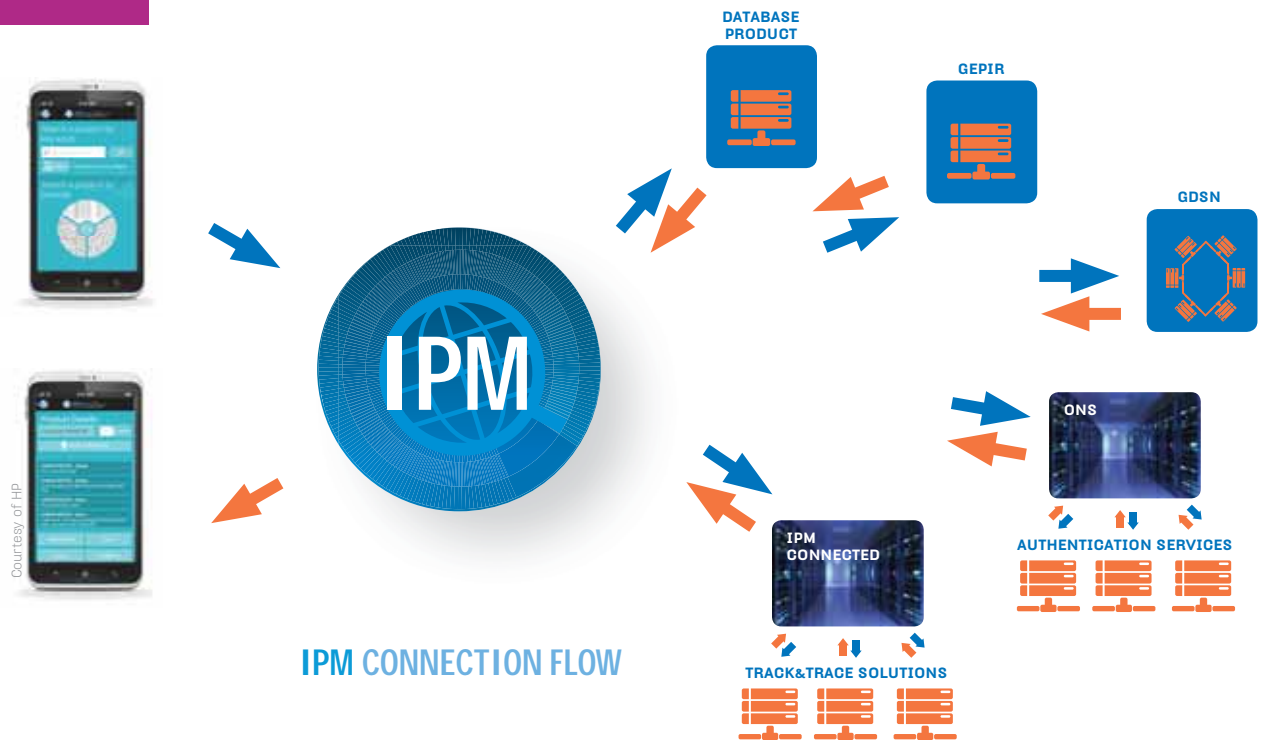
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## IPM opens up the world of product data to Customs

COMBATING COUNTERFEITING AND piracy is a priority area of work for Customs administrations today. However, the knowledge base, which Customs needs to be able to identify quickly whether a product is genuine or not, is in the hands of the private sector. The challenge for both Customs authorities and rights holders is the expeditious sharing and communication of updated product information in an effective and systematic manner.

In order to facilitate the sharing of information between frontline Customs officers and the private sector, the WCO developed IPM, a tool which serves as an interface between these two critical partners. IPM contains specific and up-to-date information on genuine goods, such as their technical descriptions, routings and packaging. So far, over 50 countries are using the tool which currently references 600 brands, with many other Customs administrations and companies showing interest in becoming part of the IPM family.

At its inception, the tool was developed for use on desktop computers; with Customs officers searching a product by entering keywords and accessing information supplied by rights holders, however since 2013 new functionalities enable officers to use IPM from mobile devices and to access

product data by scanning barcodes. To make this last option possible, the WCO has been working hand-in-hand with GS1, the international not-for-profit association dedicated to the design and implementation of global standards and solutions to improve the efficiency and visibility of the supply chain.

GS1 standards, which enable unique and unambiguous identification of items, are used by millions of companies in dozens of sectors, including the retail supply chain, healthcare, transportation and logistics, aeronautics, defence, chemicals and high-tech industries. By scanning the GS1 barcodes found on a product, Customs officers are able to retrieve the unique product identifier embedded in the barcode, and thereby access multiple databases that provide trusted sources of product information.

One of these databases, the Electronic Party Information Registry (GEPiR), is a unique Internet-based service that gives access to basic contact information for companies that are members of GS1. With two million registered businesses in over 150 countries, it can identify the registered owner of the unique product identifier embedded in a barcode. IPM also connects to GS1's global network of electronic product

catalogues (GDSN), with over 11 million unique product identifiers allowing specific product identification information to be retrieved. By scanning barcodes, an authentication query is routed to GS1's Object Naming Service (ONS) to identify authentication systems or services declared and registered.

IPM also offers a new service called "IPM Connected", which enables Customs officers to use the "track & trace" method and authentication solutions found on products and packaging. One of the first authentication solution companies to join IPM Connected is AlpVision, a world leader in digital solutions for product authentication. All Customs officers need to do is scan the barcode, and if the product is secured by AlpVision, IPM automatically launches AlpVision's application, allowing officers to verify the authenticity of the product instantly.

With these new developments, IPM is opening up the world of product data to Customs officers, and the WCO hopes that this will improve the identification of counterfeit and fake goods at borders.

### More information

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# The WCO Cargo Targeting System reaches pilot phase

AT THE CORE of any Customs risk analysis system is the checking of cargo manifests, the shipping document that summarizes all bills of lading that have been issued by a carrier or its representative.

WCO capacity building activity has identified that many Customs administrations are unable to capture advance electronic cargo manifests and lack tools to perform risk assessment in order to target high risk cargo for inspection.

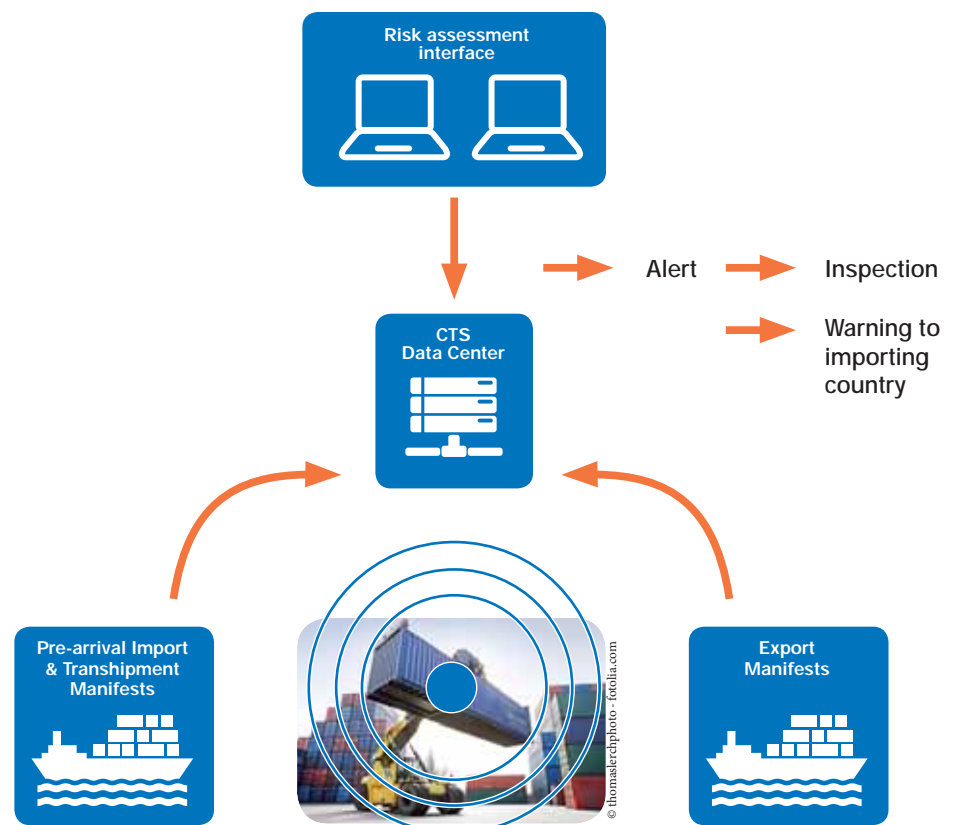
The WCO has developed the Cargo Targeting System (CTS) to deliver this capability to all Members that require it and pilots are currently underway to test the system features in the field.

The project evolved from an intervention by the United States at the 2011 WCO Council that was unanimously supported by all WCO Members. It formally began on 1 January 2012 following a grant award to the WCO by the US Department of State.

The CTS captures cargo manifests data in an electronic format and enables Customs risk analysts and inspectors to easily and effectively analyse the collected data, in order to identify high-risk shipments at import, export and transshipment across the full range of Customs threats.

## System features

- **Electronic data filing** – CTS collects cargo manifests filed by container shipping lines and non-vessel operating common carriers and stores the data in a database. In the future, it will also cover other transportation modes.
- **Manual search function** – Users can search for shipments according to risk indicators, such as origin or types of commodities.
- **Automated search function** – Searches may run automatically against data im-





ported into the system. If a shipment meets any of the search set-up criteria, the CTS alerts users for further review and action.

- **Watch-list management** – Searches may refer to pre-defined lists, such as lists of suspect commodities, provenance or involved parties.
- **Workflow management** – The system documents users' activities, and records a container's status (reviewed, selected for inspection, inspection results). Any pertinent information regarding a shipment can be added, especially after inspection (control result, pictures, etc.).
- **Internal communication** – Users can communicate with each other and share CTS data using an internal email system.
- **Data export** – Data can be exported and brought together with other data sets, such as Customs declarations, for more detailed comparison and analysis.
- **Security** – CTS operates as a stand-alone system within a national Customs administration. Only users designated by the national administration are able to access the application and data.

#### The benefits

1. Systematic, effective and timely risk assessment of shipments at import, export and transshipment – for import transactions, the CTS will identify and alert Customs administrations about a high-risk consignment before arrival of the conveyance.
2. Expeditious movement of low-risk cargo – although a shipment deemed low-risk may still be targeted by Customs for various reasons, systematic and timely risk assessment will enable Customs administrations to facilitate lower-risk transactions.
3. Efficient allocation of resources – Customs administrations will be able to direct operational resources, such as personnel, scanners and other tools, to those shipments that pose a greatest risk.
4. Workflow monitoring – Managers can monitor the actions taken by their officers, as well as the status of high-risk shipments, throughout the inspection cycle.

#### More information

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# First WCO Illicit Trade Report



THIS YEAR, THE WCO is publishing its first edition of the WCO Illicit Trade Report. The Report, which will be issued annually, is a break from tradition, as the Organization previously produced three separate annual reports on drugs, Intellectual Property Rights and tobacco respectively. The new Report comprises six chapters, each dedicated to a single thematic area: Drugs; Revenue; Intellectual Property Rights; Environment; Security; and the Customs Enforcement Network.

The Report analyses seizures reported to the WCO's Customs Enforcement Network (CEN) database, in order to identify trends and patterns at the regional and global level. It is principally addressed to Customs officers responsible for combating illicit trade, by providing them with a greater overall picture of the phenomenon, as well as information on new routings or modi operandi used by traffickers, smugglers and organized criminal networks. WCO programmes and activities are also outlined in the report.

In presenting the new Report, the WCO Secretariat would like to draw readers' attention to the following points:

- In the Drugs and Environment chapters, you will appreciate the successes of enforcement operations coordinated by the Secretariat that show the importance of holistic and concerted action with common goals.
- In the Revenue chapter, you will observe the complexity of commercial fraud and the efforts made by WCO Members to tackle illicit trade, in particular the illicit trade in alcohol, cigarettes and tobacco.
- In the IPR chapter, you will note the continually escalating issue relating to the trafficking in fake and counterfeit pharmaceutical products, largely sourced from the Internet, that are highly dangerous to human health.
- In the Security chapter, you will discover that the expanding instability in the Middle East is leading to a proliferation in the trafficking of weapons and to an increase in the trade in precursor chemicals that may be used to manufacture explosive devices.

The Report concludes that Customs, while faced with a daunting task, is achieving successes in matching the challenges posed by illicit trade, further demonstrating that international cooperation is a key factor of this success.

It should be noted that while the Report is restricted to enforcement officers only, interested members of the public may access an extract of the Report on the WCO website under the "Enforcement Topic".

## More information

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[www.wcoomd.org](http://www.wcoomd.org)

## Latest accessions to WCO instruments

### HS Convention



Guinea-Bissau

Date of Accession: 23 May 2013  
 147th Contracting Party

### Revised Kyoto Convention



Albania

Date of Accession: 4 June 2013  
 86th Contracting Party

## More information

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Dextrose injection



Anticancer/Immunosuppressants



Spark plugs



Anticonvulsant and mood-stabilizing drug



Corticosteroid



Analgesic







Goods intercepted

- Pharmaceuticals (550 million)
- Electronic Appliances (460 million)
- Other : cigarettes, foodstuff, accessories (90 million)









# Illicit trade

DURING THE 117TH/118TH Sessions of the WCO Council in June 2011, WCO Members were invited to discuss the issue of evolving and emerging risks in the Customs and cross-border context. One outcome that gained unanimous support was the need for intensified action to combat the destabilizing impact of illicit trade on Customs administrations.

In formulating an appropriate response the WCO has drawn on a wide range of research and the experience of its Members. The World Economic Forum (WEF)

annual Global Risks Report is a useful reference tool in this respect. The Report groups risks by nexus, where the illegal economy nexus examines a cluster of risks, including state fragility, illicit trade, corruption and organized crime.

According to the WEF Report, "in a networked world, governance failures and economic disparity create opportunities for illegal activities to flourish". Therefore, the illicit economy, while creating vast costs for the legal economy, also weakens states, threatens development opportuni-

ties, undermines the rule of law and keeps countries trapped in cycles of poverty and instability.

This Dossier touches on some of the responses developed by Customs administrations and their partners to stop illicit trade at borders. It also highlights the many challenges Customs face in trying to defeat criminals. Last but not least, it reminds us that a clue to the explosion of illicit trade is the rise in money laundering and the critical need to strengthen investigations in this domain.



# Some thoughts about illicit trade



**By Kunio Mikuriya,**  
SECRETARY GENERAL,  
WORLD CUSTOMS ORGANIZATION

FROM THE SALE of fake goods on the Internet, the trade in illegal logging and the smuggling of high-tax goods to banks laundering money, museums purchasing stolen artefacts and traffickers running drugs, illicit trade manifests itself in many forms. There is, in particular, one recurring theme: the economic, political and social impact of illicit trade is highly detrimental to countries, businesses and the public.

The deleterious impact of illicit trade occurs every day, when governments cannot afford to provide vital public services because revenues are siphoned away by smugglers, criminals and corrupt officials or when people die because the drug they were told would cure malaria actually contains chalk! Illicit trade is also reckoned to negatively affect a country's economic growth, grind down its social development programmes and erode investor confidence.

There are two groups of persons involved in illicit trade: organized criminal gangs who largely carry out their activities on an industrial scale, often on a global basis, and what I call criminal entrepreneurs. The latter carry out activities that are predominantly legitimate but they engage in

opportunistic illicit behaviour from time to time, when the rewards, or large profits that can be made, far outweigh the risks.

Illicit trade is often a mirror of legitimate trade. In many cases it is the complexity of the regulatory environment, red tape, corruption and the high tax burden that incentivise legitimate traders to re-think their business models, and enter the shadow economy. The more complex and obscure the trading system is, the higher the chance that a business may develop an illicit component that in time, if not targeted, could grow into a criminal system.

Complexity and lack of transparency have allowed international supply chains to become the safe haven of both legitimate and illicit traders. Furthermore, advances in communication technology and logistics have allowed parties to conduct their trade transactions in several jurisdictions simultaneously, with illicit actions often obscured behind intermediaries or third party providers.

Indeed, today we are all aware that the Internet and other communication channels are now openly exploited by rogue traders and criminals on a daily basis to



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perpetrate large-scale scams and fraud seamlessly across the globe. The scale and reach of these activities, never envisioned a decade ago, is often carried out without the perpetrators having to leave their living rooms, and often with just one click of a computer mouse.

How do we, as the global Customs community mandated with enforcement responsibilities, come together to make a difference, given the challenges that we face? Customs and other national law enforcement agencies are limited in what they can accomplish, as illicit trade threats are international in scope. What kind of environment should we create to ensure that we are all interconnected and following a common approach?

Deepening knowledge of the risks presented by illicit networks is critical to better understand the interaction between illicit and legitimate flows of goods, people, money and information. In this regard, current legal frameworks can be inadequate when it comes to exchanging actionable information and intelligence, for seizing shipments, and investigating and prosecuting transnational offences.

Strengthening compliance and regulatory frameworks through enforcement harmonization and cooperation is another area that should receive some priority, along with enhancing public-private partnerships with businesses and other market actors to enable targeted interventions on both the supply and demand side of illicit trade. More collaboration between like-minded regional and international organizations can also make a difference.

It is imperative that we mobilize ourselves – all Members of the WCO and our partners – against common threats. The WCO is a unique forum for the global Customs community to share experiences and an excellent platform for WCO Members to access experts that can support any needs that they may have and provide various forms of operational assistance in combating the scourge of illicit trade.

We also need to obtain more sophisticated knowledge on current smuggling and cross-border criminal activities to better target evolving and emerging risks. Here I would like to highlight the importance of the WCO

Customs Enforcement Network (CEN), a knowledge base of Customs seizure records worldwide which allows for the tracking and analysis of the latest trends and patterns linked to illicit trade.

I would like to urge WCO Members to actively participate in the CEN, as all Customs administrations should do their utmost to ensure that every seizure related to illicit trade, be it drug trafficking, tobacco smuggling or the illegal trade in counterfeit goods, fake medicines, precursor chemicals, stolen artifacts and environmentally-sensitive goods and wildlife, among others, is inputted into the CEN and that the data reported is of a high quality.

The negative impact of illicit trade on economic competitiveness, on government revenues, on social stability and on the general health, safety and prosperity of the world's people is high. As a genuinely concerned community, with a strong sense of civic responsibility and pride, we must stand together to fight illicit trade in all its forms. Together, we can make a positive difference to economies and people across the globe.



# Strengthening enforcement controls on maritime containers

IT IS FEBRUARY 2012 at the Port of Guayaquil in Ecuador. A container filled with boxes of yucca roots bound for Belgium is selected for checking and unloaded. Concealed inside the boxes, among the yucca roots, are packets of cocaine weighing 3,668 kg in total.

Moving to another continent and we are at the Port of Cotonou in Benin. A container of scrap metal shipped from Bolivia via Chile is inspected. Each piece of scrap metal is scrupulously dismantled. The work is painstaking but the search is not in vain as 56 kg of cocaine are concealed inside one of the pieces.

We now look further east to the Port of Karachi in Pakistan. This time it is a cooking range on its way to Ukraine that is dismantled. Some 25 kg of heroin are concealed inside.

These seizures represent a small sample of the many success stories resulting from the work of the Port Control Units (PCUs) created and trained under the Container Control Programme (CCP) developed jointly by the United Nations Office on Drugs and Crime (UNODC) and the World Customs Organization (WCO).

Located at seaports and dry ports identified as major hubs for maritime shipments of cocaine from Latin America, opiates from Afghanistan and heroin from South-East Asia, the teams bring together several law enforcement agencies in a single Unit combining different skills and powers.

These Units are currently fully operational in 19 countries. Given its success, the Programme is expanding rapidly with 22 new countries expected to join in the near future, once the new Units' basic training has been completed.

## Eliminating shortfalls

It may sound good to say that effective law enforcement is essential in combating drug trafficking, but the reality is that many

ports around the world are still lacking effective controls on containers, despite the risk of maritime containers being exploited and used for illicit drug trafficking and other forms of illicit trade.

The CCP aims to assist governments in developing countries to address this shortfall by creating enforcement structures at seaports and dry ports that are sustainable, well-managed and staffed by competent, skilled officials.

One of the challenges all law enforcement officers face is the sheer volume of international container traffic. In 2011, world container throughput at ports amounted to 572.8 million twenty-foot equivalent container units (TEUs); the standard measure used in container trading. Seaports can process from several hundred to 50,000 containers daily.

Organized criminal gangs blend illegal consignments with this huge volume of legitimate trade. The ingenuity in the way they attempt to conceal drugs and other types of illicit goods is astounding, although, when it comes to cocaine in particular, they sometimes just open a container and place bags of drugs right behind the doors.

Other common challenges in containing the illicit flow of goods include countries limited resources and pressure to make savings, the wide variety of automated port processes, systems and approaches to law enforcement and competition between agencies to achieve tangible results.

## Smarter controls

The CCP starts with a port needs assessment looking at issues such as the port security set-up, existing administrative procedures, risk assessment capacity and its application, a country's priority objectives, a threat assessment, etc.

PCU staff are trained and equipped to identify and inspect high-risk sea freight

containers with minimum disruption to legitimate trade and business. To do so, enforcement officers are given access to a web-based container intelligence application that makes use of a variety of foreign-to-foreign maritime cargo movement data.

Although the Programme initially focused on drug trafficking, training in specialized thematic areas, such as precursor chemicals, environmental crime and counterfeit goods, is now also offered.

More advanced training and follow-up assistance are provided in the course of the Programme. At the end of the training period, selected team members are given the opportunity to participate in a work study tour in a benchmark seaport with proven experience of best practices in container control.

The PCUs have regular access to experts and specialist mentor services, and are encouraged to forge partnerships and links with the trade and business community, as well as with experienced officials from Customs administrations and other law enforcement agencies.

## Mixing skills and powers

Lack of cooperation mechanisms and inter-institutional coordination can hamper enforcement activities. PCUs bring together several law enforcement agencies into one single unit for more direct and real-time exchange of operational information, in addition to strengthening the mix of skills and powers.

"At Guayaquil, cooperation between Ecuador's Customs and police services is now a routine," said a UNODC regional officer responsible for all the units in the Latin America region. "Not only do we see more seizures, but major organized crime groups have also been dismantled," he explained. The Programme has proven to be so successful that the Ecuadorian government is gradually creating PCUs at all maritime ports.





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The Guayaquil Unit again recently demonstrated its effectiveness by seizing in the course of two days, on 16 and 17 May 2013, over two metric tons of cocaine from four separate shipments bound for Spain, China, the United States and Italy.

The creation of PCUs has also had an enormous impact in Pakistan where it has enhanced and maximized cooperation between the Customs administration and the Anti Narcotics Force (ANF) – Pakistan's agency tasked with combating drug smuggling.

When checking a consignment, ANF officers may uncover fraud or non drug-related trafficking. The case will then be handed over to Customs for further investigation. The reverse situation may also occur. Joint ANF/Customs searches are, therefore, not uncommon.

Pakistan was the first country to benefit from the CCP when it started in March 2006. Today, operational PCUs are up and running at two seaports and seven dry ports. The Karachi PCU in particular has, to its credit, not only made some of the biggest seizures, but can also boast excellent multilingual trainers who are playing an important role in developing the CCP in the region.

The Karachi PCU is now being developed as a centre of excellence for the CCP in the region. It will not only train other units but also establish best practices on container profiling, interdiction, seizure and follow up of cases to support PCUs established all over the region.

#### Intelligence source

The programme aims to develop closer cooperation and information exchange mechanisms between those participating in this project and also with other ports and drug control agencies.

A dedicated data and communication tool, ContainerCOMM, allows secure email exchange of sensitive information – such as the movement of suspect containers and, exporter details – among PCUs and with authorized law enforcement agencies in other countries. It is also used to report seizures affecting one or more CCP countries in order to facilitate post seizure investigations.

Information exchange among PCUs has proved to be very effective in facilitating investigations and has even led to seizures. In 2012, the PCU based in Guayaquil was, for example, the source of intelligence and information resulting in three seizures of cocaine at the Port of Antwerp (Belgium), one in Valencia (Spain) and one in Pana-

ma. Panama itself, and more specifically the PCU based at the Port of Balboa, were behind the seizure of 201 kg of cocaine made in Antwerp.

“From the start we were involved in the training of the PCU at Guayaquil and are also irresponsible for conducting the monitoring visits,” explained a Belgian Customs officer. “We have therefore forged strong relations with the team and remain in contact with them via the WCO's ContainerCOMM system.”

#### Way forward

The Programme's success over the past six years may have led to a shift in trafficking schemes, routes and ports of choice for traffickers and its future focus will pay closer attention to such trends. New locations for PCUs and other operations will be introduced in additional countries and regions in order to ensure its continued success.

To date, the CCP is in operation at ports situated in Afghanistan, Albania, Benin, Cape Verde, Costa Rica, Ecuador, Georgia, Ghana, Guatemala, Guyana, Jamaica, Montenegro, Pakistan, Panama, Paraguay, Senegal, Suriname, Togo and Turkmenistan.

#### More information

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# Illegal trade in ozone depleting substances: another enforcement challenge on the horizon

“Countries are already starting to see cases of illicit trade in hydrochlorofluorocarbons or HCFCs and it is critically important that we get ahead of the problem and remain vigilant.”

**Shamila Nair-Bedouelle,**  
HEAD, UNEP DTIE OZONACTION BRANCH

THOSE WHO ARE familiar with the Montreal Protocol on Substances that Deplete the Ozone Layer will know that it is considered by many to be the most successful multi-lateral environmental agreement ever. The fact that the Protocol has rid the world of some 98% of ozone destroying chemicals, compared to levels in the 1980s, and that it has become the first international environmental accord to achieve universal ratification, with the latest signatory, South Sudan, ratifying it in 2013, certainly attests to its success.

However, despite these remarkable achievements and unprecedented international cooperation to protect the environment, there is a proverbial fly in the ointment, which in the past presented a real enforcement challenge and if unchecked could, to a degree, undermine the Protocol's success – this is the issue of the smuggling of chemicals.

The objective of the Montreal Protocol is to preserve the ozone layer, the Earth's protective shield, by phasing-out the production and consumption of some 100 man-made industrial chemicals known as ozone depleting substances (ODS), which include chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs), halons, methyl bromide, carbon tetrachloride and methyl chloroform.

Under this treaty, developing and industrialized countries have equal but differentiated responsibilities, but more important-

ly, both groups have binding, time-targeted and measurable commitments. However, an unforeseen consequence of these differentiated responsibilities – the staggered phase-out schedules with developing countries having an additional 10 year phase out period is the illegal trade in ODS, which initially flourished as smugglers exploited the fact that consumption and production controls were in force in some countries while production for the same ODS continued unabated in others.

Demand for CFCs beyond the phase-out deadlines has remained high due to the ongoing use of old CFC-dependent equipment, such as air conditioners and refrigerators. Replacement chemicals for these appliances were often more expensive than CFCs, which made cheaper, smuggled substances all the more attractive. The illegal trade was even more appealing as huge profits could be made and chances of detection were small since many Customs authorities were not aware of the issue at the time. Recognizing that the penalties for being caught were no real deterrent in most States, it is not surprising that the illegal trade grew and in the mid-1990s was estimated to be equivalent to over 12% of global ODS production.

The Parties to the Montreal Protocol responded to this threat and in 1997 established a licensing system to monitor the ODS trade in order to prevent smuggling. This was further reinforced by stepping up efforts to support the enforcement com-



munity, principally Customs authorities, in their actions to combat illegal trade. Concerted enforcement activities, combined with the phase-out in production and consumption of CFCs and halons, resulted in a relatively low level of smuggling in these chemicals. Although seizures are occasionally still made, this raises questions as to the source of these CFCs some three years after production officially ceased.

There is, however, another and potentially bigger challenge on the horizon for the enforcement community. In 2007, the Parties decided to accelerate the phase out of HCFCs, chemicals which were adopted as transitional replacement gases to CFCs to enable those gases to be quickly phased out. Since levels of production and consumption in developing countries are now frozen as of January this year, and all countries need to monitor and limit trade in HCFCs, the world is now in a situation similar to that when significant illegal trade in CFCs developed.

There is real concern that as the phase-out of HCFCs progresses, there will be a sharp increase in HCFC smuggling which could threaten compliance with the Montreal Protocol. Indeed Customs officers across the globe are already making significant numbers of seizures of illegally traded HCFCs, both in developed and developing countries. To avoid the development of yet another established black market, as with CFCs and halons in the past, it is important that Customs authorities remain vigilant about this threat. To actively combat ODS smuggling it is important for Customs officers to be well informed, to collaborate closely with officials responsible for national implementation of the Protocol, and, more crucially, to cooperate with their counterparts at the regional and international levels too.

The United Nations Environment Programme (UNEP), through its Division of Technology, Industry and Economics (DTIE) OzonAction Branch, is committed to providing information, assistance and guidance to aid Customs and enforcement officials in their daily work. More than ten years ago, UNEP initiated a global Customs training and capacity building programme and it has conducted regional training workshops for Customs officers

and representatives from other government agencies across the world. This programme, which is financially supported by the Multilateral Fund for the Implementation of the Montreal Protocol, continues today.

In addition to the training, UNEP produces a variety of information material and tools specifically for Customs officers, including a Customs training manual and various briefings, factsheets and posters, many of which are developed in cooperation with the WCO. UNEP and the WCO have also jointly developed an excellent e-learning module for Customs officers. This course, hosted on the WCO training platform, covers all the main issues related to the Montreal Protocol, ozone depletion and the illegal trade in ODS. It is highly recommended and Customs officers can take this course by requesting a connection through their country's national WCO coordinator or contacting the WCO e-learning team.

Another initiative which was created by UNEP to assist countries in preventing illegal trade in ODS is the Informal Prior Informed Consent system (iPIC) which was initially launched in 2006 with a modest number of countries. This informal mechanism for information exchange between countries prior to the shipment of ODS enables trade to be better controlled and helps to identify suspicious and un-

wanted shipments. Since then, the iPIC has evolved and grown to become a global voluntary initiative for likeminded States that wish to strengthen the implementation of their national ODS licensing system and effectively support ODS trade control while actively preventing illegal trade.

Now there is a new iPIC online system which provides participating countries with real-time, 24-hour, 7-days a week personalized access to key licensing system data in each of the participating countries. Countries which are not already members of iPIC are strongly encouraged to join and begin reaping the benefits of this important initiative.

Much of the success of the Montreal Protocol to date is down to Customs and enforcement officers working on the front line. They are the ones largely responsible for collecting all the trade data needed to monitor and control the trade, and to detect and prevent illegal trade. As the phase-out of HCFCs progresses in the coming months and years, the vigilance and dedication of Customs officers will once again be heavily relied upon to facilitate legal trade and to combat illegal trade. In this regard, UNEP will continue to support Customs officers around the world, particularly in its joint activities with the WCO, to prevent a surge in illegal trade in HCFCs and ensure that the success of the Montreal Protocol continues.

#### More information

**OzonAction:** [www.unep.org/ozonaction/Topics/Customs/tabid/6402/Default.aspx](http://www.unep.org/ozonaction/Topics/Customs/tabid/6402/Default.aspx)

**iPIC:** [www.unep.org/ozonaction/InformationResources/iPIC/tabid/106139/Default.aspx](http://www.unep.org/ozonaction/InformationResources/iPIC/tabid/106139/Default.aspx)

**Green Customs:** [www.greencustoms.org](http://www.greencustoms.org)

## A selection of recent publications available on the OzonAction website

- Training Manual for Customs and Enforcement Officers (second edition) [NB: third edition coming soon]
- Enforcement Strategies for Preventing the Illegal Trade in HCFCs and Methyl Bromide
- Risk Assessment of Illegal Trade In HCFCs
- Information Note - Monitoring trade in HCFCs
- Customs and Enforcement Officers Quick Guide - Changes in the 2012 HS Nomenclature for HCFCs and certain other Ozone Depleting Substances
- Establishing an HCFC Import Quota System



## The many challenges involved in combating trafficking in cultural goods



A US Immigration and Customs Enforcement (ICE) officer holding an artefact forming part of a collection of 67 objects illegally imported into the United States and later returned to the Dominican Republic. The objects were discovered following investigations conducted by ICE in conjunction with US Customs and Border Protection (CBP) in several United States cities.

© USICE

The plundering of cultural property is one of the oldest forms of organized cross-border crime and has become a worldwide phenomenon transcending frontiers. Several initiatives have been devised by international organizations involved in preventing and combating this illegal trafficking. A programme named ARCHEO has notably been developed by the WCO Regional Intelligence Liaison Office for Western Europe, with a view to enhancing Customs officers' knowledge in this domain, especially those working for enforcement and intelligence services. Its main objective is to help Customs administrations fight this fraud at the operational level.



EVERY YEAR, THOUSANDS of artefacts disappear from museums, churches, private collections or public institutions. From antique weapons to paintings, from coins to watches, from religious objects to archaeological finds, tens of thousands of specimens forming part of the world's archaeological and cultural heritage are stolen.

The looting of items dating back to previous generations began thousands of years ago, and some modern networks have been in place for centuries. However, over the past few decades, illicit trafficking in cultural property has, unfortunately, become a problem of epidemic proportions.

Estimates of the size and profitability of black markets in looted, stolen or smuggled works of art are notoriously unreliable, but specialists agree that this is one of the world's biggest illegal enterprises, worth billions of US dollars, which has naturally attracted interest from organized crime.

The term "organized" refers largely to networks whose task it is to handle the numerous changes of hand that take place from the time of the theft (or the clandestine excavation) to the time the objects reach the final users (major collectors, museums, art institutions, etc.); while these networks have coordinated activities and even use the same channels, this does not necessarily denote the involvement of "traditional" criminal associations.

Indeed, smuggling of cultural heritage material may not require the full range of organizations that might be implied by the term "organized crime". In the case of rather small items, such as jade objects from China, a relatively large "volume" of material can be carried easily on the person. In this instance, there is no need to complicate the situation by involving an "organization" to ensure a constant supply of material, since a dealer can obtain a reasonable sup-

ply of material on a single trip, carrying a large number of items on his or her person.

At the end of the line, people purchase archaeological artefacts in shops, on the Internet and at private and public auctions. According to researchers who have analysed auction and Internet data, the demand for archaeological artefacts is expanding. Buyers show no hesitation when offered desirable items that have no documented ownership history or provenance. Auction house catalogues of available items include a number of fake pieces as well as genuine ones illegally obtained. The illicit antiquities trade has also spawned a growing business in copies, fakes and forgeries.

*"An illicit item often acquires a fictitious ownership history or provenance, provided by a dealer or middleman with some knowledge of art history or archaeology."*



A two-year international investigation led to the return of a 3,000-year-old sarcophagus to Egypt. US Customs and Border Protection (CBP) officers intercepted the sarcophagus at Miami International Airport in 2008 and examined it for phytosanitary purposes. A specialist referred the hieroglyphics-inscribed artefact to the CBP Trade Enforcement Team and US Immigration and Customs Enforcement (ICE). The art gallery owner exporting the work could not provide CBP and ICE with credible documentation on the object's provenance. The sarcophagus was then seized as imported stolen property and later returned to Egypt.

### Cross-border crime

Criminal activities involving art and antiquities are often the province of cross-border crime. Both stolen and smuggled works of art, including illegally excavated antiquities, are often taken abroad to be sold there.

A recent international Customs operation gave greater insight into the increasing number of works of art illicitly imported into or exported from the European Union (EU) or crossing EU territory. Works of art and artefacts, originating from illegal archaeological excavations or the subject of theft, are taken across borders illegally so that they may be sold on the black market in Europe. But the final destination of illegally obtained pieces of art is often a country such as the United States or the Russian Federation, seen as an El Dorado by criminals.

In order for the goods to cross the border undetected, items may be undeclared and concealed inside a container or a piece of luggage, or they may be disguised, as is sometimes the case with particularly valuable paintings – this technique involves



“But the main added value of ARCHEO is that it links Customs officials with experts worldwide, enabling them to contact someone who is able to confirm the nature of the artefacts and to take the correct decisions when confronted by a suspicious transaction.”

painting a contemporary design over the original painting, so that the necessary permits for export may be more easily obtained, or falsifying the attribution and painting quality in order to mislead the officials in charge of issuing the certificate.

Falsified documents on the type, origin or value of the item are also commonly used. They may be created to “prove” authenticity and provide a guarantee that the item has not been looted. An illicit item often acquires a fictitious ownership history or provenance, provided by a dealer or middleman with some knowledge of art history or archaeology. Beyond the simple protection of cultural heritage, there are two connected strategic issues at play in this fraudulent activity: money laundering and tax evasion.

The illicit trade in cultural goods has a significant impact not only in countries such as France, Greece, Italy and Russia, which certainly possess some of the richest archaeological sites and works of arts, but also in countries ravaged by conflict, as is currently the case in Mali and Syria. In one extreme example, it is believed that, during the 2003 United States invasion of Iraq, looters took more than 15,000 objects from the Iraqi National Museum’s storage facilities and galleries, and looting of more than 10,000 archaeological sites throughout the country also took place during that period.

#### Range of tools

Several initiatives have been developed by international organizations involved in the prevention and combating of illegal trafficking in cultural goods, such as the United Nations Educational, Scientific and

Cultural Organization (UNESCO), the International Council of Museums (ICOM), INTERPOL and the WCO. Tools include databases of stolen goods (INTERPOL) and databases covering national legislation (UNESCO, the HEREIN database, and the Council of Europe).

For the purposes of information and awareness-raising on the risks of illegal trafficking, ICOM has drawn up red lists representing categories or types of objects protected by law. These lists alert institutions and the market about the categories of objects that might be in an illicit situation and can also serve as a useful tool for Customs services.

Technical tools also take the form of recommendations aimed at the commercial market, such as the International Code of Ethics for Dealers in Cultural Property or, more specifically regarding online trading, the “Basic actions concerning cultural objects being offered for sale over the Internet”. Finally, these technical tools include standardized documents such as model export certificates for cultural property (UNESCO-WCO) and the Object ID standard, which is a minimum international description standard for cultural property.

#### ARCHEO

Combating this illegal trade requires the dedicated mobilization of Customs administrations. However, it is hugely difficult to implement Customs checks on the movement of cultural goods because of the problems inherent in identifying them. The difficulties arising from the lack of expertise of Customs officers are a re-

current theme, together with the problem of assessing the value of an item and the authenticity of its provenance.

A programme named ARCHEO has recently been developed by the WCO Regional Intelligence Liaison Office (RILO) for the Western Europe region with a view to improving the knowledge of Customs officers, especially those working for enforcement and intelligence units. Its main objective is to help Customs administrations fight this fraud at an operational level.

ARCHEO is a “real-time communication tool” for the exchange of information and cooperation in the protection of cultural heritage amongst Customs administrations, competent national agencies, international organizations and their regional networks, as well as other enforcement authorities with similar responsibilities.

As a Customs Enforcement Network Communication (CENcomm) application, ARCHEO is Internet-based and accessible only to a closed user group (CUG). Information transmitted via the tool is encrypted and secured, and the application is cost-effective and easy to use. All users are connected via a secure URL address using separate logins and passwords issued for this purpose.

The objectives of ARCHEO are very wide-ranging given the diversity of the partners involved. They include sharing intelligence and information as well as best practice, training materials, identification guides and other relevant background information. But the main added value of the programme is that it links Customs officials with experts worldwide, enabling them to contact someone who is able to confirm the nature of the artefacts and to take the correct decisions when confronted by a suspicious transaction.

#### More information

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**Post-Operation Pila communications identifying trafficking routes, seizures and stopped shipments of substances, April 2010 - October 2012**

**Seized or stopped shipments in kilograms (number of incidents)**

- Ephedrine in bulk ●————→
- Ephedrine in preparations ●- - - - -→
- Pseudoephedrine in bulk ●————→
- Pseudoephedrine in preparations ●- - - - -→
- 1-Phenyl-2-Propanone ●- - - - -→
- Ephedra plant ●————→
- Reported in tablets ○————→

Note: Numbers are placed in the country seizing or stopping the shipments. Lines connect the origin and the intended destination and do not necessarily indicate the exact routing. (Source: INCD Precursors Report for 2012)

# Controlling drug precursors: results and challenges

**By Rossen Popov,**

PRECURSORS CONTROL SECTION,  
INTERNATIONAL NARCOTICS CONTROL BOARD

The international community has been successful in limiting the trafficking in precursor chemicals in what were once the principal markets.

Existing tools for international cooperation and information exchange have actually been so successful that they have forced traffickers to look for new, non-controlled substances and to seek out new sources. These developments represent new challenges especially for Customs authorities.

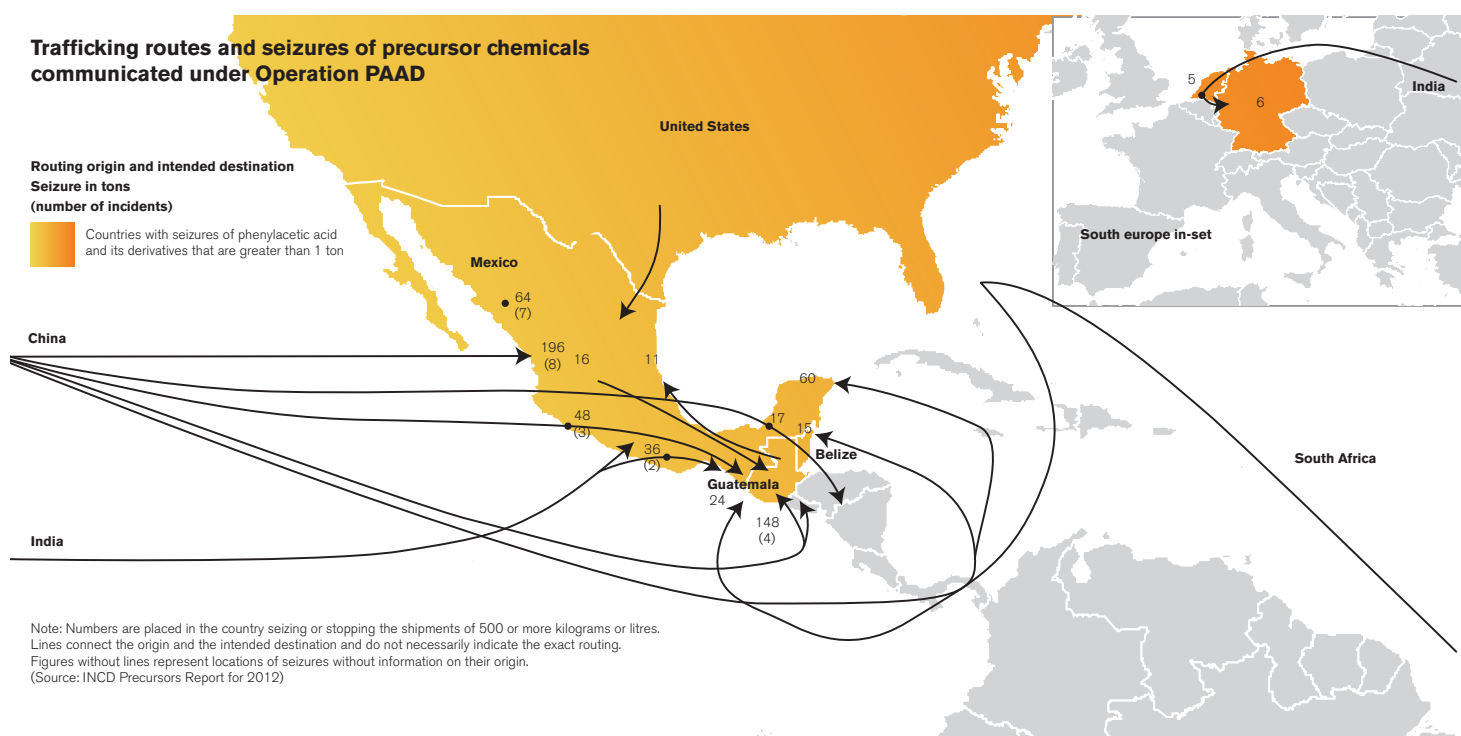
TODAY, OVER 25 years after the adoption of the 1988 United Nations Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, traffickers still need precursor chemicals to manufacture illicit drugs. Yet the rules of the game have changed significantly. It is more difficult and dangerous to obtain the 23 chemicals that appear in the schedules of lists forming part of the 1988 Convention. Significant progress has also been made – there is almost universal adherence to the Convention, national legislation is in existence and multilateral cooperation and communication have improved.

There are several reasons for the positive results. First and foremost, there is a system of pre-export notifications, whereby exporting governments verify the legitimacy of chemical transactions with the authorities of importing countries. This system, administered by the International Narcotics Control Board (INCB) in Vienna, has significantly reduced the diversion of drug precursors and chemicals from international trade. In just a few years, 136 countries have registered for and use this online system, sending and receiving an average of more than 1,800 notifications every month.

## Results

To address rapidly changing trends in precursor diversion, trafficking and use, in 2012 the INCB launched the Precursors Incident Communication System (PICS), a real-time multilateral platform for the exchange of information and intelligence on incidents (seizures, stopped shipments, suspicious transactions), in order to assist the launch of bilateral or regional investigations. In less than a





year, over 240 users from 60 governments and eight international and regional organizations, including the WCO, have used the system.

Success has been achieved as a result of increased international cooperation on operational issues. The work of Task Forces, led by the INCB, with the participation of key governments and partners, such as the WCO, INTERPOL and the UNODC/WCO Container Control Programme, has led to the launch of various international time-bound operational activities. These activities aim to counter the diversion of precursor chemicals and assist in the launch of backtracking investigations, and have been widely recognized as highly successful.

To name just a few: Operations DICE (Data and Intelligence Collection and Exchange) One and Two to combat the trafficking in acetic anhydride used in the illicit manufacture of heroin; and Operations Crystal Flow (2007-2008), Ice Block (2009), PILA (2010), PAAD (2011) and EPIG (2012) which have led to an increase in the number of cases where diversion of precursors for amphetamine-type stimulants (ATS) has been identified, reported or prevented.

### Challenges

Numerous challenges remain in the area of chemical controls. For example, a limited number of countries do not yet have competent national authorities active in precursor

control. This is especially true in some parts of Africa, making this region particularly vulnerable to targeting by traffickers to obtain chemicals for illicit purposes.

Today, alternative chemicals, including precursors made-to-order by the chemical industry on receipt of orders from abroad are posing a problem. While the use of pharmaceutical preparations containing ephedrine remains the main source for the illicit manufacture of methamphetamine in Western and South East Asia, conversely, the Americas have, in contrast, seen an unprecedented and extremely dangerous shift towards the use of non-scheduled chemicals.

The diversion of acetic anhydride from domestic channels and its subsequent smuggling across international borders is the most common method used by traffickers to supply manufacturers of illicit heroin in Afghanistan.

It is clear that trafficking organizations and organized criminal networks adapt very rapidly to pressures from regulatory and law enforcement authorities. There has also been a major increase in the type and amount of synthetic, non-plant based drugs. The flexibility with which traffickers source chemicals and shift illicit manufacture demonstrate how important it is for mechanisms that counter these developments to remain flexible.

Most importantly, the international community must further improve its efforts to share and exchange information and strategic intelligence on suspicious orders and shipments, including seizures, in real time. Multilateral international organizations therefore have a key role to play in this regard, particularly in facilitating information exchange.

Precursor control has forced traffickers into diverting precursor chemicals from domestic channels and smuggling them into drug manufacturing areas, as diversion from licit international trade is limited. Existing tools for international cooperation and information-exchange have also been so successful that they have forced traffickers into looking for new, non-controlled substances and sourcing methods.

The tightening of control measures has resulted in diversion routes becoming more complex. These developments represent new challenges especially for Customs authorities, as most of these activities will relate to contraband. Thus, the role and participation of international multilateral agencies, such as the WCO and the United Nations, acting in close coordination, will become increasingly necessary.

### More information

[www.incb.org](http://www.incb.org)



# Tracking e-crime: different structures, one aim





THANKS TO ITS speed, expediency and anonymity, Internet-based technology has become one of the key facilitators for a vast range of criminal activities, many falling within the remit of Customs enforcement actions, including the trade in counterfeit products, goods subject to prohibitions and restrictions and the smuggling of excisable goods, such as cigarettes and alcohol.

Many countries have set up specialized units to combat Internet-linked crime known as e-crime, due to its exponential growth across the globe. These teams trawl the Web for information which might be of use in preventing, detecting, investigating and prosecuting a Customs-related offence. This article takes a look at how they work, the tools they use and the challenges they face.

#### Internet crime units

Most Customs Internet crime units form part of an administration's enforcement service. In France, for example, this work is carried out by a unit known as Cyberdou@ne. Created in 2008, it brings together 15 officers – eight analysts and seven specialized investigators – who are mainly computer engineers from the private sector selected by Customs for their Information Technology and Communication (ITC) skills.

The Netherlands is in a special position as the Dutch Internet Service Centre, set up at the end of 2008, is a multiagency platform performing tasks for different bodies falling under the Ministry of Finance, such as the National Tax Administration, the Fiscal Police, the Customs Administration, the Knowledge and Communication Centre, and the Tax Refund Administration. The Centre employs 30 officers, five of whom are from Customs.

In the United States (US), two agencies within US Immigration and Customs Enforcement (ICE) have dedicated units to fight Internet crime: Homeland Security Investigations (HSI), which in 1997 created the Cyber Crimes Center (C3); and the National Intellectual Property Rights Coordination Center (IPR Center), established in 2008.

C3 comprises three distinct, complementary units – the Child Exploitation In-

vestigations Unit, the Cyber Crimes Unit and the Computer Forensics Unit – which offer cybercrime support and training to federal, state, local and international law enforcement agencies. Training is also offered to law enforcement officials, judges, prosecutors and military personnel around the world.

Many countries with established Internet crime units provide assistance to their foreign counterparts with similar structures. For example, the four staff forming Czech Customs' Internet Crime Unit, created in 2009, benefited from study visits to foreign Internet crime units as part of their training.

#### Working methods

These specialized teams often provide information support to other services within Customs, by for instance gathering evidence for investigation units that could include collecting information about a particular person, finding more information relating to a specific case, carrying out covert communications, purchasing goods and tracing financial flows.

Detecting infringements on the Internet involves proactive searches on open sources based on key words. Customs-related infringements are investigated directly by the unit or handed over to other competent bodies for further investigation and action. To guide their search, some units consult Customs information platforms, which contain Customs-related news and information on potential threats drawn from, inter alia, media articles, court decisions and seizure reports.

In the Netherlands, the information platform is called The Daily, however, the unit also visits the Europe Media Monitor website which gathers reports from news portals worldwide in 60 languages, classifies

the articles, analyses the texts by extracting information, aggregates the information, issues alerts and produces intuitive visual presentations of the information found.

Trend watching, developing new software and computer forensics – aimed at recovering and analysing digital evidence from seized computers, among other things – are also often part of the job of officials employed in Internet crime units.

#### Cooperation

In order to identify a perpetrator, officers collect data from open sources, such as looking for a telephone number or an email address on the Web. But the most common method used to enhance Internet monitoring or to find more information about a suspect person or suspicious goods

is to request information from several bodies, in particular Internet service providers, operators of auction portals and ad servers.

Other methods include tracing suspect financial flows and undercover operations. The former involves, among others, active cooperation with financial and payment service providers, such as bank card issuing authorities, PayPal or Western Union. The extent of the latter depends

on the power of a Customs administration in criminal proceedings and includes, for instance, undercover purchases of goods sold on the Internet or the use of undercover agents.

The Internet poses a unique Customs enforcement challenge. In contrast to brick-and-mortar businesses, websites cannot be padlocked and owners may be located anywhere in the world. When investigators turn up a website whose host is based outside their national territory, it is very difficult or even impossible to carry out appropriate investigations if there is no

When investigators turn up a website whose host is based outside their national territory, it is very difficult or even impossible to carry out appropriate investigations if there is no agreement on mutual legal assistance with the country where the provider is based.



agreement on mutual legal assistance with the country where the provider is based.

Many refer to the agreement between France's Cyberdou@ne Unit and its German counterpart, ZIRE, as an example of a cooperation arrangement. A party may, for example, request assistance from the other in obtaining information from Internet service or email providers, administrators of forums, chat groups, messaging sites, social networks, banks and credit card companies, or ask for further investigations to be carried out, such as the identification of owners of fixed and mobile phone numbers and background research on persons and traders in open source databases.

#### Software tools

The specialized teams need several categories of tools. One of the key factors is to make Internet enquiries as automatic as possible, and at the same time effective. Appropriate search engines play a crucial role in this respect. Simple Web search engines, such as Google Search, are very popular, but there are other search utilities – often charging a licence fee – which enable users to enter search criteria once and access several search engines simultaneously.

There is also special search software which, besides simple search functions, is equipped with functionalities, such as the ability to analyse information, to make graphic representations of relations between subjects of interest and to monitor social networks.

An example of such software is the EMM Open Source Intelligence Suite. This desktop software application enables named entities in extracted texts to be identified and relations between entities to be viewed. Developed jointly by the European Commission's Directorate-General for Home Affairs and its Joint Research Centre, the software can be downloaded free of charge.

Special software is also needed to search the "Deep Web" – part of the World Wide Web not accessed by normal search engines. It is estimated that up to 96% of Web content falls within the Deep Web category; representing a vast, anonymous network hidden from normal users and allowing people to communicate without detection. Dutch Customs has, however, developed its own tool, called *Dores*, which can download databases "behind" the normal Web.

There are, of course, also free applications to trace IP addresses or domain names. Another important category of tools are those that enable websites to be downloaded from the Internet to a local computer. The "mirrored" website can then be browsed and analysed offline. These tools are essential for court proceedings, as websites with illegal content can be closed down or redirected very quickly.

Given the role played by technology in their daily work, it is essential for units to keep abreast of the latest developments. In the US, the C3 Computer Forensics Unit regularly meets with the technology industry to test new technologies, in order to procure the necessary tools to meet the ever-growing demands of cybercrime cases. As a testament to this growing demand, the volume of data presented by HSI field officers for examination increased over 4,000% between 2004 and 2012.

#### Current and future challenges

Several risks or challenges can make detection and investigation difficult. The sheer volume of information suggesting that a Customs infringement may be committed is one of them. The Internet is a vast source of information and it is not difficult to find indications of possible fraudulent or criminal activities. The real challenge is to decide how to handle, evaluate and further process such information, given its enormous quantity.

Another challenge is the fact that some websites run as a "hidden service" using a popular Internet anonymizing tool known

## The WCO Electronic Crime Experts Group

In 2001, the WCO Enforcement Committee set up the Electronic Crime Experts Group (ECEG), to provide advice on aspects of electronic crime which affect Customs administrations. The ECEG has already produced a number of documents which are regularly updated and made available to WCO Members on the WCO website. Examples include: *Cargo Status Tracking* (2006); *Data Mining in the Risk Management Process* (2007); *Best practice Guidance for Online Investigations* (2007); *Intellectual Property Rights Infringements on the Internet*; the *Basic Model for a Centralized Unit for Fighting Cybercrime* (2009); and *Data Mining* (2010).

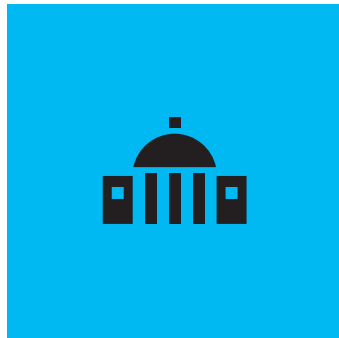
as Tor. This makes it all but impossible to identify the physical location of a computer operating in the marketplace or anyone visiting a website. One of the best-known websites used to that end is called "Silk Road", where you can buy or sell drugs like books or clothes.

The Silk Road website cannot be found by simply typing its name into a search engine. To access it, each user has special software and a password. Not only is all communication encrypted, users pay for the drugs with Bitcoins – virtual currency – that are commonly used for online payments and which can be converted into real money.

Last but not least, people sometimes use pictures, audio files or videos to sell goods, making it impossible for Customs and law enforcement officials to apply tools originally designed for searching text. Picture-recognition tools have since been developed, which enable specific objects, such as weapons, to be recognized, and experts are looking at developing tools to recognize audio and video file content, as well as the use of recording equipment.

**More information**  
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# Managing high value items: seized ivory under the microscope

As stockpiles of confiscated ivory have ballooned over the years, two burning questions remain. How should governments manage their stockpiles and what should they do with seized material?

ON 30 APRIL 2013 Hong Kong Customs intercepted 113 ivory tusks weighing 300 kg and with a street value of approximately 3 million Hong Kong dollars (approximately 386,000 US dollars). The air shipment originated from Burundi and was bound for Singapore; however, as Burundi no longer has elephants, but still retains a massive stockpile of historic ivory, the possibility exists that it may have been “leaked” from this source.

Burundi is not the only country sitting on stockpiles and having to deal with the risk of government-held stocks being stolen and illegally sold. Countries in Asia where major seizures are made, such as Hong Kong (China), Malaysia, Thailand and Vietnam, as well as countries in Africa, where much of the poaching and some of the seizures take place, all have to deal with the same issue.

## A very real risk

“Hong Kong is fast becoming the Fort Knox of ivory” said CNN in an article published in March this year, which compared the seized ivory stockpiles to an elephant-sized headache. Hong Kong Customs has reported seizures of more than 12 metric tons of ivory since 2010, well over 4,000 tusks. Some of the seized ivory is used for enforcement, identification and education purposes.

Hong Kong authorities cooperate with the “DNA Database Program” run by a laboratory that forms a part of the University of Washington in the United States, where scientists map poaching hotspots by analysing DNA from seized tusks. As poaching is, more often than not, repeatedly carried out in the same areas, this information helps law enforcers to choke off the trade at source.



The rest of the ivory is kept in “safe custody” by Hong Kong’s Agriculture, Fisheries and Conservation Department. Where it is stored is a closely guarded secret. With a black market price of more than 1,000 US dollars a kilogram, the authorities are taking no chances. The premises where the ivory is stored have security guards on duty and CCTV surveillance in operation.

However, the ability to effectively secure high value seizures differs from country to country. “At the national level, almost no large-scale ivory seizures are being properly investigated, forensic evidence is rarely, if ever, taken and analysed, and accountable and transparent ivory stockpile management remains elusive” reported TRAFFIC International at the Sixteenth meeting of the Conference of the Parties of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) held in Bangkok, Thailand in March 2013.

According to the CITES Secretariat, a large amount of confiscated African ivory goes missing every year. Since 2010, Zambia has lost around 3 metric tons of ivory from its 30 metric ton stockpile to thieves who likely sold it on the black market. While in February 2012, 266 pieces of elephant ivory, totalling nearly 1.1 metric tons, reportedly went missing from the central ivory stockpile in Maputo, Mozambique. Seized ivory has also gone missing in Thailand and the Philippines.

It is essential that such thefts be reported. As thefts likely involve persons with knowledge of, or some control over, the ivory stocks, the results of any relevant investigations, including the circumstances or modus operandi, would also be of interest to other countries and may prevent other thefts from occurring.

#### **Risk management guidance**

Countries looking for guidance and best practices in the management of the risk posed by seizures of certain contraband that could have a high “rate of return” if unlawfully diverted from Customs control may refer to the WCO Compendium of Customs Operational Practices for Enforcement and Seizures (COPES).

The Compendium points out that “to the extent that Customs administrations practise vigorous accountability checks and balances, and participate in both internal and external audits of their systems and property, the less the chance of there being serious breaches of integrity in a governmental seizure programme”.

“Customs can proactively practise risk management by undertaking a regular inspection regime of items under seizure” the COPES Compendium states, giving specific and concise examples of robust procedures and documentation requirements used by WCO Members. It includes a sample operational plan for establishing and conducting an unannounced inspection regime for Customs seizure vaults, which also includes an arrangement to keep robust records to account for deficiencies and corrective actions.

The Compendium was recently enhanced with additional innovative guidance in the particular field of seized asset management and safety of Customs officials during enforcement and seizure operations. It is currently available on the WCO website in five languages – Arabic, English, French, Serbian and Spanish.

#### **Register, analyse and ultimately destroy**

“The size of ivory stockpiles in many countries in and outside Africa, and their possible contribution to the illegal ivory supply chain, remains another important gap in the current understanding of the dynamics of the illegal ivory trade” stated a report entitled “Elephants in the Dust, The African Elephant Crisis” that was unveiled at the CITES meeting in Bangkok. “This gap could be substantially narrowed through mandatory, regular inventorying and declaration to the CITES Secretariat of all important ivory stockpiles” the report urged.

To be able to determine whether illegal trade is derived from poaching or leaked from official stockpiles, authorities should publish more details on seized items. Countries are only required by international agreements on animal trade to report the weight of tusks confiscated, but information such as the number of pieces seized as well as the weight of individual items, would make it easier to estimate the age and sex of the elephants killed, and to

determine if tusks have already been recorded in other seizures. Examples of detailed seizure forms and custody-related receipts are provided in the WCO COPES Compendium to facilitate recording actions by WCO Members.

Genetic analyses to determine the source of origin of seized ivory are also essential. During their 2013 meeting, CITES delegates stated that “Parties involved in large scale ivory seizures (i.e. 500 kg or more) should collect samples from the ivory seized within 90 days of the seizure and, if possible, from all large seizures over the past 24 months, and submit the samples for analysis”. They further suggested that, in the meantime, the Parties should immediately begin to identify forensic-analysis facilities capable of reliably determining the origin of the ivory samples, with the aim of addressing the entire crime chain.

To reduce the financial burden and the temptation inherent in storing hundreds of tusks, some countries have chosen to destroy their stockpiles. Gabon decided in June 2012 to burn its confiscated stock totalling 4,825 kg, including 1,293 pieces of rough ivory mainly composed of tusks and 17,730 pieces of worked ivory – an overall quantity that would correspond to around 850 elephants. More recently, the Philippines decided to burn its ivory stockpile in June 2013. International environmental and conservation organizations approve of this action given their argument that “anything that is not required for forensic analysis should be destroyed”.

Conservation groups are now targeting what they call the “gang of eight” nations at the centre of the illegal ivory trade – China, Kenya, Malaysia, Philippines, Tanzania, Thailand, Uganda, and Vietnam. At the final session of the Conference of the Parties in Bangkok, CITES delegates approved a decision to demand an action plan from the “gang of eight” to reduce the trade in ivory within 12 months. Delegates said that if these countries did not meet these targets, they would likely be hit with sanctions barring their own legal wildlife and plant trade.

#### **More information**

[www.cites.org/eng/cop/16/](http://www.cites.org/eng/cop/16/)  
[www.wcoomd.org](http://www.wcoomd.org)



# Money laundering and the illicit tobacco trade

GIVEN ITS CASH-INTENSIVE and profitable nature, the illicit trade in tobacco is prone to money laundering. But according to the Financial Action Task Force (FATF), jurisdictions tend to predominantly investigate and prosecute the predicate offence only and very few money laundering and/or terror financing cases can be associated with the illicit tobacco trade. This needs to change and we need to recognize that it is a significant money laundering and terror financing threat, says FATF, the world's financial crime watchdog.

When we think of global market share in the tobacco industry, we tend to think of the big commercial players, namely Philip Morris International (PMI) - 16%, British American Tobacco (BAT) - 13%, Japan Tobacco International (JTI) - 11% and the Imperial Tobacco Group (ITG) - 5.5%. The largest market share, some 40%, belongs to the Chinese National Tobacco Company. Yet we should not forget the illicit tobacco segment.

A number of different studies concur that the illicit tobacco trade accounts for a significant percentage of the global cigarette market. Some even estimate that it is currently about 12%, larger than the shares held by the ITG and JTI, and almost as large as that of BAT. However, given its cash-intensive and profitable nature, the illicit tobacco trade is prone to money laundering. But to what extent is it included as a predicate offence to laundering? How are enforcement authorities responding in trying to curb this specific phenomenon?

These are some of the issues tackled in a recent report published by FATF, the inter-governmental body established in 1989 to set standards and promote effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and other related threats to the integrity of the international financial system.

## Diverse offences

The "Illicit Tobacco Trade" report is based on the results of a questionnaire sent to FATF members and supported by a range of case studies. The primary trend to emerge from the study is that jurisdictions tend to predominantly investigate and prosecute the predicate offence only and very few money laundering and/or terror financing cases can be associated with the illicit tobacco trade.

The report gives a broad overview of the approaches of responding countries to the illicit tobacco trade, drawing the following primary conclusions:

1. Most jurisdictions view the illicit tobacco trade as a criminal offence, but this does not imply that they would regard it, or link it, as a predicate offence to money laundering.
2. Other offences associated with the trade in illicit tobacco include tax crimes and transgressions within the trademark environment.
3. The illicit tobacco trade is associated with tax offences which have also been accepted by FATF as a predicate offence to money laundering.
4. A wide range of penalties is available to law enforcement entities, ranging from penalties for tax, Customs and excise duty evasion and fraud to smuggling.
5. The nature of the penalties imposed ranges from varying periods of incarceration and fines, depending on other factors, such as links to organized crime and the volume and importance of the illicitly traded product.
6. Authorities are convicting perpetrators of the illicit tobacco trade on varying offences, but money laundering is very seldom included in the charge sheet.

## Laundering methods

In a review of over 40 money laundering and terror financing case disclosures linked to illicit trade in tobacco, several money laundering methods were identified, many of which are the same as

those used by other criminal schemes, including:

- Commingling, by mixing illicit revenue with the revenue of a non-profit organization or business, such as a cigarette manufacturer or wholesale distributor, a construction or transportation company, a private casino, a bar or a night club.
- Smurfing, which consists of several cash deposits by members of the same group.
- Structuring, which involves numerous transactions (deposits, withdrawals and transfers), a number of people, high volumes of small transactions or several accounts, in order to fall below the reporting threshold for banks, money service businesses (MSBs) and currency exchange transactions at MSBs.
- Using nominees or third parties, including family members, to deposit cash or cheques into accounts then transferring the funds to a beneficiary account, all to obscure the identity of persons controlling the illicit funds.
- Using lawyers and/or accountants as professional intermediaries in the movement of funds, to obscure both the identity of the person controlling the illicit funds and the source of the funds.
- The complex movement of funds to hide





- Borders often slow down such investigations, as Customs can only act based on a “request for mutual assistance”.
- Some countries are not very cooperative.
- Completed investigations show that the interest of foreign partners largely depends on their own interest in an investigation.
- Illicit tobacco is one of many substantive offences related to proceeds of crime and money laundering investigations, and financial crime units have to prioritize investigations, leading to illicit tobacco not always being at the top of the list.
- One respondent stated that, in cases involving foreign predicate offences, while they have been proactive in commencing domestic money laundering investigations, they were reliant on foreign counterparts to be forthcoming with evidence in a timely manner, and when this did not happen, or if the other country decided to enter into a plea bargain with the suspects, the respondent was unable to take further action.

their origin, for example cash deposits might be made at one institution, then cheques issued for deposit at another institution, and the funds used in turn to issue cheques payable to third parties.

- Refining at casinos by converting 20 US dollar bills into 100s or purchasing casino chips with no gaming activities and then requesting monetary instruments, such as a casino cashier’s cheque.
- Purchasing real-estate to invest illicit proceeds in high-value negotiable goods, so as to obscure their source.
- Investing in various entities.
- Electronic fund transfers (EFTs) to beneficiaries.
- Electronic fund transfers to individuals/entities linked to terrorist organizations.

#### Customs response

How likely, or how willing, are enforcement authorities to investigate the money laundering risk associated with the illicit tobacco trade? Responses from Customs administrations revealed a discrepancy between the investigation of the predicate offence and any associated money-laundering investigation, with many Customs authorities not having the capability – legal and/or operational – to conduct money-laundering investigations.

When a cross-agency platform is not in place, the focus remains on the predicate Customs or tax offence. Interestingly, the majority of respondents have the capability within their Customs authorities to investigate any Customs offences perpetrated by tobacco smugglers, however only around half of these same authorities would also conduct a money-laundering investigation, with the remaining respondents referring these investigations to other agencies, such as the police, a financial intelligence unit, or a specified anti-money-laundering agency.

Under these circumstances, it is possible that cases which could be prosecuted as money-laundering investigations are not in fact followed through due to the legal and enforcement impediments on Customs authorities, leading to the predicate Customs/tax offence only being the subject of judicial procedures. This deficit may explain why money-laundering investigations associated with the illicit tobacco trade are not exploited to their full extent.

#### Impediments

The report highlights several impediments encountered when conducting money laundering investigations:

#### Challenges

Where jurisdictions have chosen to pursue the illicit tobacco trade and associated money laundering and terror funding stemming from it, great successes have been attained. But there is a need to enhance international cooperation and recognize the illicit trade in tobacco as a significant global money laundering and terror financing threat.

Low detection rates, low levels of prosecutions of offenders, easy payment of fines (pre-determined financial risk), a lack of cooperation, coordination and information-sharing at national and international levels, and the lack of a common strategic impetus must be regarded as factors contributing to the illicit tobacco trade and related money laundering and terror funding.

Future challenges include the identification of financial pinch points, enhancing money laundering investigations and assisting countries in shaping strategic and tactical responses to the illicit trade in tobacco.

#### More information

[www.fatf-gafi.org](http://www.fatf-gafi.org)



# Nigeria fights illicit trade through inter-agency cooperation

**By Dr Paul Botwev Orhii,**

DIRECTOR GENERAL, NATIONAL AGENCY FOR FOOD AND DRUG ADMINISTRATION AND CONTROL

INTERNATIONAL TRADE HAS constituted the bedrock of a long period of prosperity and stability in the world. In general, trade is crucial to the development of countries. It is a first, supporting step on the ladder to building an economy and a key driver for economic growth and development.

Nigeria has begun exploring further means of diversifying the economy by weaning the nation off its dependence on oil earnings in order to attract earnings from other viable sectors of the economy. Local pharmaceutical industries in particular have recently improved their manufacturing capacities and the quality of their products with government support, and are expected to become key players in the international medicine market.

High-performing regulatory and enforcement government agencies, well equipped to meet the challenges of international trade and engaging directly with importers and exporters to support commercial activity, are a valuable ally in dealing with global competition as more markets open up, making it imperative to

ensure smooth trade flows and effective protection measures against illicit trade.

In Nigeria, strong inter-agency cooperation between the National Agency for Food and Drug Administration and Control (NAFDAC) and the Nigeria Customs Service (NCS), two government agencies with specified mandates and roles, has helped to ensure trade facilitation and compliance with regulatory requirements. This relationship has been improving over the years, which has led to enhanced collaboration between staff of both agencies for the benefit of the trading community and the whole economy.

## Complementary relationship

NAFDAC was established in 1993 to regulate and control the importation, exportation, manufacture, distribution, advertisement, sale and use of foods, drugs, cosmetics, medical devices, chemicals, detergents and packaged water. This mandate empowers NAFDAC as the competent authority, tasking it with the huge responsibility of ensuring that the above

products leaving or entering Nigeria's shores meet prescribed quality standards.

NAFDAC field officials manning international gateways – airports, seaports and land borders – as well as inspecting production plants owned and operated by manufacturers of both processed foods and pharmaceutical products, are supported by officials from their partner agencies, such as the NCS, the Nigeria Police, the National Drug Law Enforcement Agency (NDLEA) and the State Security Service (SSS), in a spirit of good inter-agency cooperation.

Customs and NAFDAC have, in particular, developed and built a complementary relationship that has led to greater collaboration. The NCS mandate includes combating illegal commercial activities and trade in illicit goods, such as the import of fake and substandard goods, goods that infringe Intellectual Property Rights as well as toxic and hazardous substances. NCS supplements but does not replace oversight, control and surveillance by NAFDAC of regulated products.

## Joint initiatives

NAFDAC and NCS have developed a joint capacity building programme for their staff and stakeholders which combines training on Customs clearing processes and product regulation. Joint examination of regulated products, as well as joint seizure of fake, expired and substandard products, are common practice. Sharing intelligence too has facilitated the seizure of non-compliant imports on arrival. NAFDAC laboratories conduct investigations on behalf of NCS for Customs purposes, and products intercepted by NCS are handed over to NAFDAC for destruction.

Through the Nigeria Single Window platform – the Integrated Customs Information System – both government agencies are inter-connected, sharing real-time

## Empowering the consumer

Technology that allows consumers to use their mobile phones to check on newly purchased drugs has been deployed in Nigeria. Packs of medicine produced by pharmaceutical companies have a small strip added to the packaging – similar to the scratch panel people are used to seeing on a mobile phone charge-card. When the panel is scratched it reveals a unique number or code. Consumers can send the code via text message to a toll-free number to check whether the medicine they have purchased is authentic. Within two seconds of texting the number, a message appears on the client's phone with the word "YES" – a simple response meaning the drug is genuine – or "NO". There is also a local number that can be called so that consumers can alert the authorities about potentially toxic or fatal chemicals masquerading as medicine.



information, as well as risk management and intelligence capabilities. NAFDAC is currently able to monitor transactions relating to its regulated products, in order to target high-risk imports and to profile importers of NAFDAC regulated products.

Both agencies have also been cooperating when developing and deploying the Nigeria Trade Hub (NTH), a portal initiated and developed by Customs as part of its modernization efforts to help simplify and reduce the time and cost of doing business in Nigeria. It provides information about all Nigerian regulatory agencies, their contact details, processes, documents, fees and processing times.

NTH also has a searchable document library providing all the necessary downloadable documents relevant to trade in Nigeria, from official publications to legal information, including regulatory documents and Customs procedures. NTH tools include the Harmonized System Code Classification Tool – an intuitive tool that assists importers to correctly classify their products for both import and export purposes.

### Benefits

Collaboration between the two agencies has brought tangible benefits to traders, trade stakeholders in general and the government in particular. These benefits include:

- Improved trade procedures which have removed bureaucratic bottlenecks;
- Faster delivery and lower transaction costs;
- Improved trader compliance with regulatory requirements;
- Increased trade volumes;
- Better ability to correctly assess potential costs and risks concerning port transactions and processes;
- Enhanced control, including better revenue collection;
- More efficient sharing of information among both agencies, including the building of a statistical databank for national use;
- Improved trust and working relationships among officers from both agencies.

### More information

<http://www.nafdac.gov.ng>





# Turkey strengthens its Customs risk management system

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FOR SOME TIME now, Turkey has been seeking to strengthen its risk management and analysis system which it established in 2008 with a view to making its Customs control operations at sea ports, airports, land borders and inland more effective.

Recently, the Ministry of Customs and Trade (MoCT), an entity established in 2011 by merging the Undersecretariat of Customs with the Ministry of Trade, implemented a twinning arrangement with the German and United Kingdom Customs administrations focused on improving the evaluation, information and risk assessment abilities of Turkish Customs.

The twinning project, entitled “Modernization of the Turkish Customs Administration VI – Risk Management”, ran for a little over one year, from 1 February 2012 to 22 February 2013. Its aim was to improve the ability of Customs officers to curb illicit trade in commercial goods, as well as narcotics and explosives, in order to secure a potential future external border of the European Union (EU) and to ensure that Turkish Customs is in a position to fulfil the tasks and obligations of an EU-compatible Customs administration.

Turkey’s automated risk analysis system categorizes transactions on the basis of high-, medium- and low-risk scores, which takes a trader’s compliance history into account, for example its Authorized Economic Operator (AEO) status. The system enables the MoCT to carry out risk-based controls, primarily with a view to targeting high-risk shipments on the basis of

pre-arrival messages before they arrive in Turkey, thereby facilitating Turkish ambitions for the country to become a major player in the global economy.

Risk management and analysis operations are carried out centrally by the Risk Analysis Department of the Directorate-General for Risk Management and Control. Regional risk analysis is carried out by Risk Analysis Units which were established at 16 Regional Directorates in 2012. Local risk analysis activities are also performed by trained staff at Customs offices, on the basis of local issues and considerations. Under the project, all Customs personnel involved in risk analysis were given training with a particular focus on declarations, summary declarations, fast parcel operators, the EU’s New Computerised Transit System (NCTS), simplified procedures and data mining.

Twelve workshops and 38 seminars were held in Turkey, with 727 Customs officials from the central and local Customs offices participating. In addition, 35 Customs officers went on study visits and undertook traineeships in Germany and the United Kingdom, while 16 staff members attended train-the-trainer courses on new training methods and approaches in teaching Customs techniques.

A “Business Strategy” and “Risk Analysis Guideline” have also been produced. The Risk Analysis Guideline explains how to carry out risk analysis and, in particular, identify relevant data so that it may be used to analyse and target suspect con-

signments. It also includes examples of analyses and seizures made. Turkish Customs did not merely review and update its risk management system; the project also enabled it to implement a new organizational structure for the risk management system at regional level.

Five of the activities that took place during the project were aimed at introducing simplified procedures in Turkey that are already applied in Germany and the United Kingdom. While project activities were under way, a new Customs Code entered into force on 10 January 2013 which covers concepts such as the authorized trader, local clearance and authorized consignor and consignee, thereby ensuring that the Code is compatible with that of the EU.

The new Code was officially unveiled to traders in Istanbul in January this year in the presence of more than 500 delegates representing companies, stakeholders, trade associations and the MoCT. The Ministry also held seminars in cities with large foreign trade volumes, in order to inform traders about the implementation of a new AEO programme. Not only will Turkey continue to reach out to its trading community, it will also continue to improve its risk analysis activities as part of the recent reorganization of its Customs administration, in order to become a country where trade transactions take place with optimum security, speed and ease.

## More information

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# Informality, international trade and the Customs dimension

INFORMALITY IS A widespread phenomenon in many countries and numerous Customs administrations have described their difficulties in managing informal trade practices, bearing in mind that this type of activity accounts for a significant part of their national economies.

This prompted the WCO to organize a Research Conference on the subject at its headquarters in Brussels, from 3 to 4 June 2013, in partnership with the World Bank and with the financial support of the Korea Customs Service.

In this interview the WCO Research and Strategies Unit, which ran the Conference, explains the motivation behind it and talks about the various challenges that informality poses for the global Customs community.

**Why did you see a need to open a debate about informality and how it relates to Customs administrations?**

“Informality” is a fact of life in many countries. A recent evaluation in 2010, conducted by Schneider, Buehn and Montenegro economists, showed that informal activities accounted for at least 30% of the Gross Domestic Product (GDP) in 107 of the 162 countries included in their study; in more than 18 countries, this proportion was found to exceed 50%. This poses social, economic and political challenges, as governments and border authorities, including Customs, are faced with limited options: sanctions, trade facilitation, and negotiation, or a combination of all three.

Where Customs is concerned, informal activities relate primarily to issues of revenue



collection. When informality leads to revenue loss, Customs is forced to take action. This may be done within the regulatory framework by simplifying and harmonizing procedures to make it easier to comply with the rules. Conversely, Customs may also apply repressive measures. Outside of this strictly regulatory framework, there is a simple yet striking fact: to prevent revenue loss, Customs authorities frequently negotiate with informal operators.

There are risks that can result from the imposition of punitive penalties. First, there is a risk of revolt given that certain regions are home to poverty-stricken population that live primarily off informal. Thus, radical actions can give rise to social unrest, such as social protests or even physical attacks against civil servants or destruction of administrative means and infrastructures. Second, those who trade informally, but in legitimate goods, may switch to illicit goods, such as weapons and drugs, so that their profits are commensurate with the risks they run.

“Negotiation” should be understood as a means by which political and administrative authorities are able to contain the informal sector, keeping it within economic, legal and social boundaries which they deem reasonable and acceptable. Such negotiation takes place in many countries. Nevertheless, governmental agencies have limitations in terms of their knowledge of this environment and the pressure to keep the economic balance between benefits and losses caused by informal trade.

There is an additional important reason for bringing this issue to the WCO and looking at what might be the best options in terms of policy. International organizations offer the private sector a forum for dialogue, and take into account its concerns when drawing up the standards that regulate international trade. However, one segment of the private sector, all those who we refer to as “informal operators”, rarely participate in these discussions at the international level. Inviting representatives of Customs administrations to come together with anthropologists, economists and political scientists for a debate is a first step towards sharing knowledge and to question certain forms of trade which are frequently alluded to, but rarely debated.

### What are the key challenges when trying to map informality?

The first challenge is to clear up certain misconceptions about informal trade. Informality is not synonymous with corruption: these two types of practices may or may not be connected. Also, the informal sector is not disorganized. On the contrary, it is clear from the research papers presented at the conference that the blanket term “informal” covers a multiplicity of activities and networks which have in common a high level of structure.

Moreover, there is no clear dividing line between the formal and the informal. Individuals themselves are not “informal”, it is practices or activities that are; this means that anyone may conduct both formal and informal activities, pay one tax and not another, or complete one formality and not another, and so on.

The second challenge is to understand that traders have their informal practices, and these tie in with the informal practices of the officers in the field. Customs officers, like all officials, enjoy some latitude where the practical application of a text is concerned: when a legal text has to be translated into technical practice in the field. During the discussions at the conference several speakers made reference to local practices, which in some cases were effective from a fiscal revenue standpoint.

The nature of these adaptations and the issues surrounding them need to be understood and explored, and called into question when this is economically or legally necessary, with a view to developing the legal framework. It is equally important to remember that an operator is “informal” in relation to a legal framework born out of a lengthy process of policy development which continues over time.

The third challenge is to ask the right questions about informality, thereby helping Customs to fulfil its role as a technical advisor to the political authorities. Here again, informality is a matter of form, judged in relation to the existing legal framework. Could there be a case for changing the legal

framework, in order to move standards forward? Or is it more a matter of training informal traders or offering them incentives? What is the overall economic value added from the informal sector, once the associated loss of revenue has been factored in?

The Conference did not necessarily provide definitive answers to these questions, particularly because each country must find its own answers based on local conditions. Nevertheless, that academics and practitioners left Brussels with greater knowledge and clearer ideas about policies worth pursuing.

### Who was invited to speak at the Conference?

Representatives of WCO Member Customs administrations gave presentations on their work, including Cameroon, the Dominican Republic, Korea, Pakistan, Uganda and Zimbabwe. In addition, many eminent figures wrote papers which were thoroughly discussed by participants.

Moreover, more than 30 researchers from a number of universities, such as London School of Economics and Political Science, Cheikh Anta Diop University, South Asian University, University of Campinas, Chinese University of Hong Kong, University of Pretoria and University of Leiden, gave presentations and participated in the debates.

Complementing the university researchers, there were researchers from a business school, the HEC Lausanne, and two research centres, France’s Centre national de la recherche scientifique (CNRS) and the International Center for Tax and Development, based in Brighton, UK.

We also had the privilege of planning this Conference with a renowned anthropologist, Professor Keith Hart, who was the first to use the term “informal” and who has been working on these issues for more than 30 years.

The WCO is also planning to publish a book which will include research papers submitted for the Conference.

### More information

[research@wcoomd.org](mailto:research@wcoomd.org)

[www.etoouches.com/informaltradeconference/en](http://www.etoouches.com/informaltradeconference/en)



## New report calls for urgent action to stop counterfeiting and piracy in Free Trade Zones

By Jeffrey Hardy,

DIRECTOR, INTERNATIONAL CHAMBER OF COMMERCE (ICC)/  
BUSINESS ACTION TO STOP COUNTERFEITING AND PIRACY (BASCAP)

Business Action to Stop Counterfeiting and Piracy (BASCAP), an initiative of the International Chamber of Commerce (ICC), released a new report at the 2013 WCO IT Conference and Exhibition in Dubai calling for increased regulation and better management of Free Trade Zones (FTZs) to stop them from increasingly being used to facilitate the manufacture, distribution and sale of counterfeit products. This article sounds the alarm; highlighting the findings and recommendations in the report and its implications for Customs.

FTZS PROVIDE SIGNIFICANT opportunities for legitimate business and play a critical role in global trade. National governments around the world have found that offering relaxed regulations, limited taxes and reduced oversight in FTZs can drive economic growth and facilitate increased international trade and investment. The success of these zones is dramatically illustrated by their growth from an estimated 79 in 1975 to at least 3,000 in 135 countries today. Estimates indicate that FTZs account for 68 million direct jobs and over 5,000 billion US dollars in direct trade-related value.

However, along with the massive global proliferation of FTZs comes an increasing vulnerability to a wide range of abuses by criminal actors who have taken advantage of relaxed oversight, softened Customs controls and the lack of transparency in these zones. The 2010 Report on Money

Laundering Vulnerabilities of Free Trade Zones, prepared by the Organisation for Economic Co-operation and Development (OECD), notes that FTZs have emerged as a facilitator of Intellectual Property Rights (IPR) abuses and concludes that “the lack of controls has made free trade areas attractive locations for parties engaging in the trade in counterfeit and pirated products.”

The OECD Report goes on to explain how parties import counterfeit goods into FTZs to “sanitize” shipments, disguise origin, add counterfeit trademarks, manufacture and repackage finished counterfeit goods for export, and use FTZs as “gateways” for smuggling and transshipping fake products. The OECD also notes that these parties conduct their illicit activities with little or no risk of IPR-related enforcement.

As its members faced increasing evidence that FTZs had become a critical link in the trade in counterfeit versions of their products, BASCAP began an in-depth analysis of the situation in order to determine the steps needed to restore the integrity of FTZs and stop them from being used by criminal organizations trading in counterfeits. BASCAP recently concluded its analysis and published a new report “Controlling the Zone: Balancing Facilitation and Control to Combat Illicit trade in the World’s Free Trade Zones” which highlights the circumstances that have enabled FTZs to be exploited and the weaknesses in international agreements, national legislation and judicial enforcement that have allowed this situation to continue.

### Relationship between Customs and FTZs

There is a common misconception that free zones are “extraterritorial,” or outside a nation’s borders, and are not subject to national Customs laws. This confusion has created an environment that enables illicit activities to infiltrate the zones. The WCO corrected this misconception by emphasizing in the Revised Kyoto Convention (RKC), which deals with the simplification and harmonization of Customs procedures, that goods are outside the Customs territory only “insofar as import duties and taxes are concerned”.

The RKC delineates a number of guidelines that address the evolving problem,

including explicit Customs jurisdiction over FTZs, rules of origin, and Customs transit and transshipment procedures. Unfortunately, acceptance of the specific provisions in the RKC for managing FTZs (Specific Annex D, Chapter 2) is optional. Thus far, few signatory nations have elected to implement RKC provisions that would substantially address the problem, by giving full authority to Customs inside the FTZs, while requiring Customs to act in a transparent and professional manner to facilitate legitimate trading businesses.

The BASCAP report includes specific recommendations for correcting many of the problems, in some cases building on draft recommendations made in 2006 by the WCO’s Intellectual Property Working Group. It also looks at the apparent confusion over the difference between tariff and non-tariff controls exercised by Customs, and concludes that stripping Customs of its traditional revenue collection role (tariff controls) leads to a further erosion – real and perceived – of its non-tariff activities (border inspections, seizures, etc.). The report suggests that governments need to ensure that the economic incentives (i.e. tax-free status) offered in FTZs do not interfere with or eliminate the critical non-tariff control functions performed by Customs.

### Time for Action

It would be misleading to suggest that all FTZs accommodate or facilitate illegal activity. Most operate as an important and legitimate tool within a country’s economy, facilitating international trade and development. However, the same features of FTZs that provide legitimate business opportunities can be – and are – exploited and misused by organized crime groups to produce, distribute, and sell counterfeit goods. When this criminal activity is allowed to occur or is ignored, the underlying objectives of the zones – to promote trade and economic growth – are eventually destroyed.

FTZs are intended to improve free movement of goods in order to facilitate legitimate international trade and development, but this does not mean that effective IPR enforcement in free zones must be compromised to achieve these goals. Establishing voluntary standards and improving

current practices, along with the implementation of specific FTZ legislative and regulatory measures, can help address the global threat of counterfeiting and piracy in FTZs without impeding their effectiveness.

While the concept of “Customs-free zones” has an important role in global trade, there is a critical and urgent need to address this type of abuse of FTZs, and the purpose of the BASCAP report is to increase awareness of the problem and the options available for solving it. For example, national governments must strengthen their adherence to international conventions and national Customs authorities need to be empowered to operate and take control in FTZs, as they do in other border access areas.

The policy and legislative recommendations in the BASCAP report are intended to preserve and expand the benefits of FTZs for legitimate traders, while also protecting the public and legitimate businesses from predatory practices. The recommendations are drawn from international agreements, lessons learned from both effective and ineffective national legislation, the experiences of Intellectual Property rights holders and international best practice. The report also includes key actions for the WCO, the World Trade Organization, national governments, and FTZ operators.

BASCAP’s goal is to encourage governments to retake control of FTZs and ensure that national laws and Customs procedures are effectively applied. It also aims to kick start a wider dialogue on how to address the abuse of, and illicit activities within, FTZs because of the impact these activities have on all sectors of society. BASCAP is eager to participate in this dialogue and hopes that the WCO and its Member Customs administrations will join its efforts to find practical solutions to the abuse of FTZs by criminal organizations.

The full BASCAP report is available online: [www.iccwbo.org/advocacy-codes-and-rules/bascap/international-engagement-and-advocacy/free-trade-zones/](http://www.iccwbo.org/advocacy-codes-and-rules/bascap/international-engagement-and-advocacy/free-trade-zones/).

**More information**  
[www.iccwbo.org](http://www.iccwbo.org)



# Improving supply chain transparency

"VISIBILITY AND THE critical need for accurate and timely data from the right source at the right time are continually identified by public and private sector organizations to be the most important elements in terms of compliance, fiscal efficiency, safety, security and integrity," said David Hesketh, Senior Business Manager at HM Revenue and Customs (HMRC) in the United Kingdom (UK), during the gathering on 5 March 2013 of key UK trade stakeholders attending the Transparent and Secure Trade Seminar, hosted by IBM at its Southbank offices in London.

The Seminar focused on the voluntary sharing of information across the supply chain, the benefits and the barriers thereof and how a sustainable business model might be created to realise this vision. Sharing information has two dimensions: sharing among businesses in the supply chain (B2B) and sharing between businesses and government agencies involved in international trade (B2G). Voluntary sharing of information, particularly from a B2G perspective, entails sharing more information than is required by law.

Three stakeholder groups were represented at the Seminar: organizations involved in importing/exporting goods (Siemens and the RSA Group); organizations involved in moving goods (BAP Logistics, MCP and DHL); and government agencies involved in international trade (HMRC, the UK Department for Environment, Food and Rural Affairs or Defra, UK Border Force and the Suffolk Coastal Port Health Authority).

"UK Customs have worked for some time with IBM and other commercial partners within the Cassandra Project and in the Strategic Advisory Group on Europe (SAGE). This Seminar continues to demonstrate the value of regulatory authorities such as Customs, Health and Forestry working together with businesses to increase our understanding of international trade and the supply chain and to recognise the valuable roles we all play both individually but, more importantly, collectively," Hesketh stressed.

## Brainstorming

The stage was set by introducing a vision of businesses sharing their supply chain information with other supply chain partners, including government agencies that are also seen as supply chain partners. The experiences of the European Union and the United States added further insight to the ensuing discussions.

With the scene set, delegates took off their jackets, rolled up their sleeves and started brainstorming. Ideas were developed in three groups (buying/selling goods, moving goods and regulation/government) using the Business Model Innovation method of Alexander Osterwalder ([www.businessmodelalchemist.com](http://www.businessmodelalchemist.com)), an innovation-stimulating means to understand, describe, design, challenge and invent business models.

Osterwalder's Business Model Canvas and Value Proposition Canvas were used to capture ideas on a TO-BE situation, where the supply chain transparency vision is implemented. After completion of each canvas by each stakeholder group, the groups reconvened in plenary sessions, where they examined the value of collaboration between the eco-system partners and challenged how this value was represented in canvases or other groups.

## Key results

### Identified problem areas:

- Unpredictability in operations.
- Difficulty in creating end-to-end insights using information from distributed and unrelated sources.
- Lack of standardization in government declarations/documents (Customs declarations, for example) globally and nationally. Parties spend a great deal of effort on data conversions and formatting to fit the requirements of all parties.

### Agreed solution guidelines:

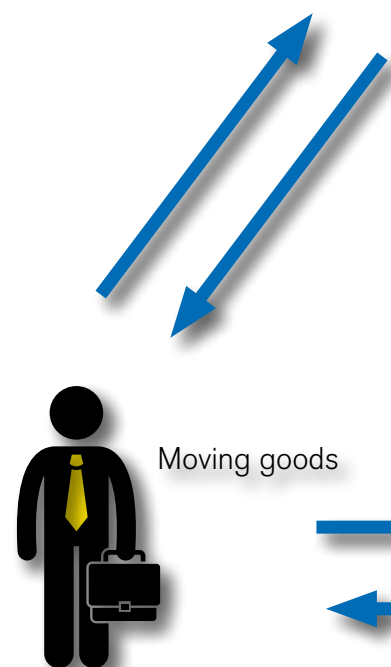
- A supply chain transparency solution would give parties across the supply chain access to supply chain data (from seller to buyer), on the basis of authorized access. Such a solution would be possible because the majority of companies can and wish to act in a

socially responsible manner, and wish to help government do its job better for the benefit of all stakeholders. The identification of which data elements will be shared is a "to do" item but not an inhibitor or problem area.

- Predictability of operations for participating actors. For example, government could provide improved predictability for its interventions thanks to the improved data quality, more predictable Customs regimes, and maybe the ability to clear goods before they arrive at the terminal.

### Suggested eco-system business model:

- Government will be offered trade (supply chain) data voluntarily, in addition to data that is provided based on legal requirements. This includes data about the business transaction between buyer and seller (to be received from the buyer/seller) as well as logistics data (to be received from parties involved in moving the goods).
- A commercial party offers new information services for making the right information available at the right time and right format for all interested parties.



Identified challenges in implementing a solution:

- Mobilizing companies to move forward and act as pioneers in implementing supply chain transparency solutions that they share with government, without a legal obligation to do so.
- Implementation costs and who would bear them requires a flexible approach for realizing progress. For example, communities of private sector organizations took an active role in developing an IT solution which would improve their own operations, although they had no obligation to do so. Most favoured would therefore be a business model where the government coordinates a private sector initiative to develop an IT implementation solution for supply chain transparency (“a supply chain data hub”) nationwide.
- Data privacy and security is an important area, yet not as a problem area, because there is sufficient convincing

experience that good solutions exist to handle these concerns.

### Conclusion

The various stakeholder groups have very similar needs and very similar ideas of how the future should be shaped, and there was broad agreement that the main challenges for realising the vision are organizational (mobilising stakeholders, agreeing on roles, responsibilities and procedure simplifications) and not technological.

This positive conclusion provides a fertile ground for further development of the vision laid down in the Seminar. While par-

ticipants were UK-based, the issues that all stakeholders face are generic to their industries and hence discussion can be seen as representative for other markets as well.

“Quality data leads to improved risk assessment and decision making which has clear benefits to everyone concerned in carrying out and facilitating legitimate trade and helping to squeeze out and deal with errors and illegitimate trade. This Seminar proves the value of working together to identify and work towards solving areas of concern to us all through research and development,” concluded Hesketh.

### More information

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## IBM's vision on supply chain transparency

The traditional Authorised Economic Operator (AEO) model assumes a binary relationship between a company (trader) and government (Customs): a trader provides transparency of its operations to Customs, and in return Customs provides trade simplifications.

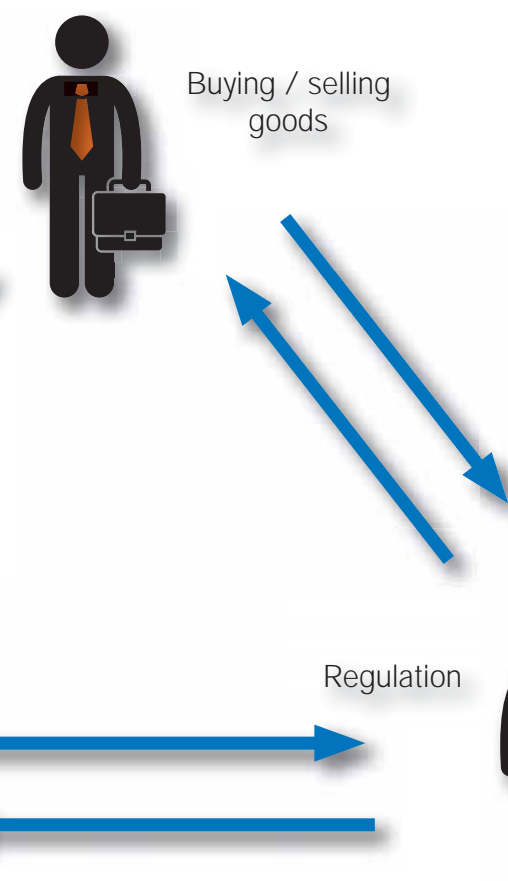
The IBM vision on supply chain transparency proposes to supplement this binary approach with a scheme where the various parties (buying/selling goods, moving goods and government) each receive something of value from another party but not necessarily from the same party to whom they contribute.

While the AEO scheme focuses on the transparency of a company's operations in general, supply chain transparency in IBM's vision foresees a fully transparent environment that

enables Customs to access information on all a company's transactions in real time, as opposed to Customs declarations that are submitted at a specific moment in the supply chain.

The ability of Customs to monitor all transactions in real time enables administrations to decide not to check transactions at all or to do so on an ad hoc, random or periodic basis, or upon receipt of risk and intelligence information and to move from transaction-based (i.e. declaration-based) processing of an AEOs import/export transactions to an account-based clearance system.

The underlying IT solution is an information sharing infrastructure, some kind of a virtual “pipeline” of supply chain data, into which authorized actors (businesses and government) can tap.





# Solutions that secure and facilitate trade

EVERY MINUTE OF every day, an office of the Bureau Veritas Group issues a certificate stating whether or not a product which has been inspected or tested complies with the required standard; thereby contributing to making the world a safer place. The wide diversity of skills and disciplines within the Group means that the products certified by Bureau Veritas can range from aeroplanes to coal, in almost every country in the world.

Bureau Veritas Group was created in 1828 to classify vessels. Over the years it has expanded its expertise and geographical coverage to 140 countries, with 59,000 employees in 1,330 offices and laboratories. With this global network, Bureau Veritas can support any industry, anywhere and anytime. Its expertise is subdivided into eight major divisions: Marine; Industry; Construction; In Service Inspection and Verification; Certification; Consumer products; Commodities; and Government Services and International Trade (GSIT).

The GSIT division was created in 1984, under the BIVAC trademark, to provide services to governments, and specifically to assist Customs with revenue collection and foreign exchange/capital flight issues. Since its creation, GSIT has operated over 90 government contracts across the globe. Initially, the main service requested was the prevention of capital flight resulting from over-invoicing through connivance between buyers and sellers. As foreign exchange controls began to be relaxed, Customs was faced with under-invoicing of imports by importers wishing to reduce their duty liabilities.

Today, Customs faces the additional threat of counterfeit products and goods that do not comply with safety standards. The ongoing evolution of Customs functions requires Customs administrations to remain flexible and highly adaptable. New technology has been developed or

harnessed for Customs use, in an effort to reduce the burden placed upon authorities. The continual increase in security threats from terrorism has also placed enormous stress upon already stretched border control agencies.

GSIT has recognized these scenarios, and has been developing a comprehensive set of services to help Customs meet the objectives of their governments, whilst improving trade facilitation. A range of these services are highlighted below:

## Non-intrusive inspection using X-ray scanners

Bureau Veritas operates container scanning programmes on behalf of various Customs authorities. The majority of these contracts are based on the BOT (Build, Operate, Transfer) concept, which includes the provision of skilled image interpreters as well as the training of local Customs officers. Bureau Veritas has created the Advanced School for Imaging and Prevention of risks for X-ray scanners (ASIPBV), delivering training modules on imaging and health and safety for Customs operators and managers.

## Destination inspection support

Where Customs' resources are limited, Bureau Veritas is able to support verification activities upon arrival. Physical inspection can be provided, as well as advice on the value for duty purposes and on the classification of goods in terms of the Harmonized system.

## Pre-shipment inspection (PSI)

This service, which constituted the main support for many Custom authorities in the past, is still offered where appropriate by Bureau Veritas. Governments use this service where they lack facilities at arrival and have insufficient data to challenge importers' declarations. Valuation and classification support are provided to enable rapid identification of under-valuation or

misclassification that will jeopardize correct revenue collection. Bureau Veritas staff providing this support are qualified through the WCO e-learning programmes on valuation and classification.

## Risk management applications

Bureau Veritas has developed software applications which provide Customs authorities with sophisticated risk management analysis for import or export shipments. The Group's risk management tools can be interfaced with, or integrated into many, Customs management systems.

## Verification of Conformity (VOC)

This service is designed for countries that are in the process of creating relevant standards and intellectual property rights legislation. Enforcement of national safety and other standards requires considerable capital investment in testing laboratories, as well as a significant number of skilled personnel. VOC programmes are designed to alleviate the financial burden on governments and place the onus of compliance on exporters and importers.

Bureau Veritas, with its global network of offices and testing laboratories, provides support to ensure that imported goods do comply with national standards. The overall objectives of the programmes are to protect the consumer from unsafe products, detect sub-standard products – thereby defending local domestic manufacturers against unfair competition – and protect the environment.

## Single Window

Bureau Veritas provides a unique package which combines a foreign trade community network with risk management and peripherals, to deliver a Single Window service.

## More information

[www.bureauveritas.com](http://www.bureauveritas.com)



## The Single Window at the Port of Cotonou: a success story

On 9 May 2013 the Port of Cotonou received the 2013 Gold IT Award from the International Association of Ports and Harbours, for the benefits generated by its Single Window (SW). The SW project was developed by Société d'Exploitation du Guichet Unique du Bénin (SEGUB), a public-private partnership established in November 2010 by the Government of Benin with two companies, namely Soget and Bureau Veritas.

In order to implement the SW, it was essential that all stakeholders be persuaded that this was the best possible solution to the difficulties faced by the private and public sectors. Resistance to change is unavoidable, but a successful change management programme was put in place with the active support of the President of Benin.

A pilot phase was implemented in February 2011, and the complete import process became operational in October 2011. Further development to encompass transshipment and exports was completed in 2012.

The SW provides the following facilities:

- Electronic submission of all documents required for foreign trade, via an Internet application or interfaces.
- Processing and transmission of decisions made by authorities and port community members, via the information system.

- Supply chain secured through the tracking and tracing of goods, while ensuring data confidentiality.
- Rationalization of procedures.
- Automation of administrative, logistical and Customs procedures.
- Simplification and standardization of all forms.

The most significant benefit for Customs is the continual, real-time tracking of shipments through the port as clearance procedures by various interested parties take place. This in turn has resulted in an increase in revenue collection – Customs revenues increased by 25% in the first year – and more timely payment.

The new system has also benefitted the business community, with dwell time reduced from 35 to 7 days for containers at import, and from 45 to 8 days for containers in transit. As every physical movement of the shipment/container is recorded, in addition to the related administrative procedures, the SW environment has also made it possible to:

- Simplify and streamline the filing of the manifest.
- Secure the receipt and removal of goods.
- Optimize vessel cargo capacity.
- Enhance the rotation of empty containers.
- Simplify transfer operations.



# Customs celebrate International Customs Day

A pictorial celebration of WCO Members' activities around the world commemorating this special day on the Customs calendar.



Switzerland



Angola



Croatia



Australia



Georgia





Thailand



Bahrain



Germany



Italy



Portugal



Spain



Togo



Zimbabwe





# Seventh Global Congress on Combating Counterfeiting and Piracy



WHEN THE FIRST Global Congress on Combating Counterfeiting and Piracy was held in 2004, the phenomenon was often ignored. Many consumers and government leaders considered counterfeiting and piracy as a victimless crime or simply a problem for luxury goods manufacturers. At the time, we all acknowledged that the fight would be a long and difficult one, but we were optimistic that we could make a significant dent in this illicit activity.

What is the situation today? Without a doubt, it is still just as difficult to quantify the actual scale of this scourge which affects the global economy. It is also just as difficult to gauge its impact. However, measures have been taken all over the world in the intervening period to reflect, to a large extent, some of the findings and critical success factors identified during the various Congresses held over the years, such as the importance of international co-operation, the exchange of best practices and the promotion of public-private partnerships.

Highlighted below are just some of the many issues discussed and experiences shared during the recent Global Congress which took place at the end of April in Istanbul. It was organized by the WCO, INTERPOL, the World Intellectual Property Organization (WIPO) and the world's business community, which were represented by the International Chamber of Commerce (ICC) through its Business Action to Stop Counterfeiting and Piracy (BASCAP) initiative and the International Trademark Association (INTA).

## Operational enforcement activities

One area focused on during a key panel session was what challenges and solutions have been identified by Customs services in the fight against counterfeiting and piracy. The session opened with a simple observation: trade in counterfeiting and piracy poses a dilemma to Customs administrations which are striving to balance trade facilitation and the imposition of effective control measures. Services in developing countries also have to take into account revenue collection requirements and the fact that

many actors within the economic and trading community may feel aggrieved by the Customs decision to detain such goods; this is particularly the case in countries with a large informal sector.

Accordingly, Customs services have to consider the health and safety of the population they serve, as well as the social and economic impact of their actions in this regard. "The pressure comes from everywhere," said one speaker. In this connection, emphasis was again placed on the importance of gaining the support of political leaders and decision-makers to fight counterfeiting and piracy.

A WCO expert emphasized the building of capacity to target goods that pose a risk to public health and safety and highlighted the urgency and scale of the problem. During a recent WCO-led international enforcement operation in Africa, which included 23 participating countries, preliminary results indicate that over 10 days more than one billion counterfeit items were intercepted, of which 50% were medicines.

## The safest route for your customs and security declarations

One of the panel's objectives was to identify the trends and patterns of the trade. This, remarked the panellists, is a difficult task. Today, a very common type of cross-border transaction often involves what appears to be an erratic criss-crossing of consignments, enabling the true origins to be obscured and new, including fake, certificates of origin to be issued. Counterfeiters analyse interceptions, understand how their shipment was targeted and change patterns. They will use another company to transport their goods, declare the goods in a different way, mix genuine and fake products and move the goods differently.

Customs representatives agreed that frontline officers needed continual training and 'on the job' tuition and experience to develop strong operational knowledge. Many Customs services have developed sophisticated risk analysis measures and installed programs and X-ray machines to keep up with the 'tsunami' of knock-offs. But counterfeiters are often one step ahead; hence the simultaneous need for relentless checks of Customs declarations, bills of lading and other supporting documentation for subtle misinformation.

Customs services need to be able to identify quickly whether a product is genuine or not and to communicate with Rights Holders in real-time and to have access to quality product data. Part of the expertise of a Customs officer comes from knowing brand-name goods. Some may have the opportunity to visit outlet malls to study the products, to know how things are packed in certain countries, etc. Dedicated training in product identification techniques is also provided by Rights Holders. However, the difficulty for both Customs authorities and Rights Holders to communicate updated product information persists. The quality of the information in the application for action is sometimes inadequate or outdated, explained Customs representatives.

The WCO IPM system, which serves as an interface between frontline officers and the private sector, received the support of Customs as well as private sector representatives. It contains specific information, such as the routing and packaging of genuine goods and gives direct access to Rights Holders and their representatives. GS1 identification standards were recently introduced to IPM, and a new mobile functionality was developed, giving access to multiple databases that provide trusted sources of product information to Customs officers – a particularly well-received addition.

Many examples of positive collaboration between brand owners and law enforcement agencies were given during the Congress, but, in many instances, there is still some way to go in creating seamless exchanges of information. Customs



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representatives expressed their concerns regarding the fact that Rights Holders sometimes still fail to take action, while trademark owners also expressed frustration on the perceived lack of responsiveness from law enforcement agencies and the uncertainty about where best to direct intelligence.

### The Turkish Experience

As the Congress was being held in Istanbul, participants were invited to look at the current status and consider the future of IP protection in Turkey. The fact that Recep Tayyip Erdoğan, the Prime Minister of Turkey, opened an Intellectual Property-focused event was significant. As well as outlining the progress being made in the fight, he also called for additional help in the country's efforts to fight piracy. He underlined the socio-economic motivations behind the issue, saying "We must simultaneously combat poverty and theft: instead of killing the mosquitoes, we should make the marsh dry."

Turkish representatives noted that Turkey had made progress in terms of infrastructure and legislation and that the Turkish Parliament was currently working on a new law on Intellectual and Industrial Property Rights. They also discussed the need for more administrative capacity, including in the judiciary.

The latest legal arrangements had made it possible for the relevant Customs office to dispose of goods without a court decision, in cases where the Rights Holder and owner of the goods may agree and solemnly declare their agreement. It was agreed that all applications should be submitted to a single authority, namely the Directorate General of Customs and, since 1 April 2013, applications may be submitted online via the Ministry's website.

Figures show that applications for action have tripled during the past two years, with a total of 2,235 applications submitted since October 2009. Cosmetics and textiles are the sectors with the highest number of applications, and 95% of applications involve trademark rights.

Reassuring comments were made by Turkey's Customs and Trade Minister, Hayati

Yazıcı, who said that strengthening controls at Customs points with a view to identifying counterfeit and pirated goods was a top priority for his Ministry, as well as strengthening Customs offices' capacity to increase the number of investigations. In the coming months, Turkish Customs would be using the WCO IPM tool extensively; it was confident that the implementation of this new tool would have a positive impact.

### Updates from developing markets

The Congress featured interesting case studies from some key developing markets. Debates underlined the importance of adopting a holistic approach that would encompass the following: enforcement operations; education initiatives aimed at enforcement officials (Customs and Police officers), intermediaries and customers; actions towards local media houses and editors; involving consumer activists; identifying state-specific issues; and collecting data on stakeholder perceptions.

Underscoring this last point, India's association of business organizations, FICCI, explained that one of the challenges was the lack of credible data: it was essential to assess the magnitude of the problem and to quantify the grey market percentage across industry sectors and its economic impact on industries and government.

The Nigerian Copyright Commission explained the measures that it had put in place to protect its creative industries, including the Nigerian film industry, popularly branded Nollywood, which had witnessed significant growth in the past 20 years but was yet to maximize its full potential, partly because of widespread piracy. A comprehensive reform of the copyright system in Nigeria is under way, anti-piracy awareness campaigns aimed

Customs representatives expressed their concerns regarding the fact that Rights Holders sometimes still fail to take action, while trademark owners also expressed frustration on the perceived lack of responsiveness from law enforcement agencies and the uncertainty about where best to direct intelligence.

at different markets where piracy was endemic were being undertaken and training programmes on the basics of copyright were being provided to media and legal practitioners.

The Commission also worked with copyright owners to obtain credible information leading to successful seizures at various ports in Nigeria. Customs nowadays notified the Commis-

sion of any consignments coming into Nigerian seaports with copyright material. Knowing that pirates may divert the arrival point of these goods to neighbouring countries with the intention of moving the goods by road into Nigeria, the Commission was hoping to generate timely intelligence reports on the movement of such goods from the connections developed through the WCO and with Customs offices in neighbouring countries.

The representative of China Customs highlighted the difficulties inherent in export control because of a lack of advance data and emphasized that counterfeiting was a barrier to the development of Chinese brands.

### Developing a demand-side strategy

Great strides against counterfeiting and piracy are being made on the supply side by law enforcement agencies worldwide, but all participants agreed that an equivalent demand-side strategy is needed. In this connection, several initiatives were presented and discussed at the Congress, such as the Turkish "I buy real" campaign launched in April and Poland's legalna kultura website. Underwriters Laboratories presented a short animated feature "Safety Smart, Honest & Real!" developed in collaboration with Walt Disney Company and aimed at improving a child's awareness and understanding of the issue.

**More information**  
[www.ccapcongress.net](http://www.ccapcongress.net)



# Calendar of Events

## July

- 1 Women in Leadership Conference
- 2-11 Knowledge Academy

## September

- 16-17 Harmonized System Committee – Working Party
- 18-27 Harmonized System Committee, 52nd Session
- 18-20 PICARD Conference, Saint Petersburg (Russian Federation)
- 30/9-4/10 Data Model Project Team

## October

- 10-11 WCO/IATA/ICAO API Contact Committee, 7th Meeting
- 14-15 WCO Counterfeiting and Piracy (CAP) Group, 9th Meeting
- 16 Private Sector Consultative Group
- 16 SAFE Members Only Meeting
- 17-18 SAFE Working Group, 12th Meeting
- 21-25 Technical Committee on Customs Valuation

## November

- 4-8 Permanent Technical Committee, 201st/202nd Sessions
- 13-14 Revised Kyoto Convention Management Committee, 12th Meeting
- 13-15 Innovation and Technology Conference, Buenos Aires (Argentina)
- 18-29 Harmonized System Review Sub-Committee, 46th Meeting
- 25-26 Finance Committee, 95th Session

## December

- 2-4 Working Group on Commercial Fraud, 9th Meeting
- 8-9 Private Sector Consultative Group
- 9-11 Policy Commission, 70th Session

It should be noted that WCO meetings are mentioned for information purposes and are not all open to the public. Unless otherwise indicated, all meetings are held in Brussels. Please note that these dates are indicative only and may be subject to change. The WCO meetings schedule is regularly updated on the WCO website.



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